

An aerial night photograph of a port. On the left, a large red ship with a white superstructure is docked at a pier. A tall crane is visible on the ship. The pier extends into the water on the right. In the foreground, a white truck is pulling a yellow trailer carrying a long, white wind turbine nacelle. The scene is illuminated by artificial lights, and the sky is dark blue.

# DEFENDING NOVA SCOTIA

Planning for the long term

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Budget 2026-27  
Finance and Treasury Board  
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# 1. Introduction

## Defending Nova Scotia: Planning For the Long Term

Over the last several years, Nova Scotians have seen how quickly global events can reach into daily life. At the same time, Government has invested heavily to make up for a decade of underspending in healthcare, housing, affordability and renewal of aging infrastructure.

Defending Nova Scotia means empowering our people, our businesses and our communities. It means making smart financial decisions and being thoughtful and strategic. It means making Nova Scotia resilient at home and abroad.

Budget 2026–27 continues to make strategic investments to forge a path towards prosperity. These investments will harness Nova Scotia’s natural assets, diversify its trading partners, enable Nova Scotians to build stable, independent and fulfilling lives, continue to transform how Nova Scotians receive the care they need, when they need it, and have the right infrastructure. Key priorities are:

***Growing Our Economy – Powering Our Future:*** The world needs what Nova Scotia has to offer: clean energy, critical minerals, high-quality food or manufactured goods and services. Creating the right conditions for development is vital to attracting investment. As the economy grows, all Nova Scotians benefit. Investments are designed to drive growth in six priority sectors: defense and aerospace, clean and conventional energy, forestry and mining, fisheries and agri-food, housing and construction, and AI and the digital economy.

***Empowering People – Building Futures and Communities:*** Government is coordinating efforts to enhance community safety and reimagining how to prevent, prepare for and respond to emergencies and natural disasters. Other key initiatives will improve access to housing and make life more affordable for families. This includes saving the average Nova Scotian family more than \$1,400 a year in taxes, and making the School Lunch Program available to all students.

***Rebuilding Care – For a Healthier Nova Scotia:*** The government has made generational investments to transform Nova Scotia’s healthcare system through its four-year Action for Health plan, 2022–2026. Significant investments will expand access to primary care, support inclusive mental health and recovery, and support seniors.

***Building A Financially Sustainable and Resilient Province:*** Government is focused on investments that will build and sustain generations to come. Capital Plan 2026–27 invests more than \$3.5 billion in infrastructure, including healthcare, long-term care facilities, and housing projects. Financial discipline is critical to protect the services Nova Scotians rely on against future shocks. Government will do its part. To rebuild healthcare, increase housing and help Nova Scotians, the public service needed to grow, but that growth is not sustainable and will be reduced over the next four years. Government will invest in technology, work more efficiently and focus efforts on strategic priorities that will drive the province forward.

Defending Nova Scotia is about action, responsibility, and results. It is about making thoughtful financial decisions to establish a strong foundation for the future and finding innovative ways to deliver services for Nova Scotians while carefully managing the province's finances.

## 2. Budget 2026–27 Overview

The Operating Budget contains the estimates of revenue and expenditures that establish the financial plan of the Province for the 2026–27 fiscal year, commencing April 1, 2026.

Budget 2026–27 is focused on Budget 2026–27 continues to make strategic investments to forge a path towards prosperity. The Province of Nova Scotia is tabling a budget with an estimated deficit of \$1.19 billion (before contingency) for 2026–27 (Table 2.1).

**Table 2.1 Summary Nova Scotia 2026–27 Operating Budget**

(\$ thousands)

<b>General Revenue Fund</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
<b>Revenues</b>			
Ordinary Revenues	14,970,232	14,956,547	15,690,511
Ordinary Recoveries	1,069,950	1,166,457	1,201,240
Net Income from Government Business Enterprises	465,447	470,940	462,515
<b>Total Revenues</b>	<b>16,505,629</b>	<b>16,593,944</b>	<b>17,354,266</b>
<b>Expenses</b>			
Departmental Expenses	16,495,153	17,105,300	17,770,390
Refundable Tax Credits	147,960	164,588	160,569
Pension Valuation Adjustment	17,079	(20,042)	(28,914)
Debt Servicing Costs	908,509	919,822	1,030,107
<b>Total Expenses</b>	<b>17,568,701</b>	<b>18,169,668</b>	<b>18,932,152</b>
Consolidation and Accounting Adjustments	365,573	326,618	386,936
<b>Provincial Surplus (Deficit) - Before Contingency</b>	<b>(697,499)</b>	<b>(1,249,106)</b>	<b>(1,190,950)</b>
Contingency	(200,000)	---	(50,000)
<b>Provincial Surplus (Deficit) - After Contingency</b>	<b>(897,499)</b>	<b>(1,249,106)</b>	<b>(1,240,950)</b>

**Long-Term Care Accounting Adjustment:** A major accounting adjustment was made in the 2024–25 Public Accounts and impacts the Province’s financial reporting going forward. Since 2004, if service providers of long-term care facilities borrowed from the Province, these monies were recorded as loans receivable to be paid over 25 years with a fixed interest rate. The Province recorded the interest payments as revenue. The Province also provided grants to cover operating, resident, and debt servicing costs.

The Auditor General has determined that these mortgages should not be recognized as loans. Instead, the corresponding facilities must be recorded as tangible capital assets (TCA). Mortgages are no longer treated as loans; interest revenue and grant expenses are removed, and the facilities are now included as TCA, with corresponding amortization costs included in departmental expenses.

The impact of this Accounting Adjustment in 2024–25 was that \$879.9 million loans were derecognized as Loans Receivable and net debt increased by this amount. TCA was increased by \$798.4 million, with interest revenue being decreased by \$19.3 million. Seniors and Long Term Care (SLTC) operating grants were reduced by \$48.4 million and there was an increase in the SLTC Amortization Expense of \$28.5 million. The accounting adjustment required the 2023–24 Public Accounts to be restated with a net debt increase of \$584 million.

In 2025–26, this accounting adjustment is forecasted to increase net capital by \$450.6 million, reduce interest revenue by \$42.2 million and increase net debt by \$492.8 million. In 2026–27, this accounting adjustment is anticipated to increase net capital by \$826.8 million, reduce interest revenue by \$70.8 million and increase net debt by \$897.6 million.

***Fiscal Stability Plan:*** Financial discipline protects the services Nova Scotians rely on by ensuring government can respond to future uncertainty without sacrificing core priorities. Stable finances create predictable government. Government is adopting a multi-year approach aimed at protecting future fiscal capacity by slowing expense growth to better match revenue growth. This will enable government to continue to invest in priority areas that benefit Nova Scotians.

Key areas of focus for the plan are:

- Stabilize expense growth.
- Address the impact of the Long Term Care Accounting Adjustment.
- Reduce the size of the Public Service and operational expenses.
- Improve productivity and efficiency government-wide.

## BUDGET OVERVIEW

**Table 2.2 Budget Summary – Highlights**

(\$ thousands)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate
Total Revenues	16,505,629	16,593,944	17,354,266
Total Expenses	17,568,701	18,169,668	18,932,152
Consolidation and Accounting Adjustments	365,573	326,618	386,936
<b>Provincial Surplus (Deficit) - Before Contingency</b>	<b>(697,499)</b>	<b>(1,249,106)</b>	<b>(1,190,950)</b>
Contingency	(200,000)	---	(50,000)
<b>Provincial Surplus (Deficit) - After Contingency</b>	<b>(897,499)</b>	<b>(1,249,106)</b>	<b>(1,240,950)</b>
<b>Provincial Revenue Sources</b>			
Personal Income Tax	4,730,924	4,632,262	4,932,857
Corporate Income Tax	836,540	876,732	893,408
Harmonized Sales Tax	2,588,233	2,611,316	2,755,058
Cannabis Tax	19,110	21,948	23,331
Vaping Tax	3,085	2,864	14,564
Non-resident Deed Transfer Tax	27,752	18,733	24,552
Motive Fuel Tax	284,393	283,604	297,678
Tobacco Tax	93,291	88,923	73,930
Other Tax Revenue	248,607	253,176	271,200
Prior Years' Adjustments - Provincial Taxes	---	12,470	---
Registry of Motor Vehicles	155,425	159,186	163,275
Other Provincial Sources	176,530	189,531	170,282
TCA Cost Shared Revenue	10,278	12,557	1,799
Other Fees and Charges	62,897	66,873	65,745
Gain (Loss) on Disposal of Crown Assets	1,700	1,955	80,000
Interest Revenues	188,226	121,243	116,865
Sinking Fund Earnings	27,143	27,523	32,121
Ordinary Recoveries	424,872	547,198	606,442
Net Income from Government Business Enterprises	465,447	470,940	462,515
<b>Total - Provincial Sources</b>	<b>10,344,453</b>	<b>10,399,034</b>	<b>10,985,622</b>
<b>Federal Revenue Sources</b>			
Equalization Payments	3,464,825	3,464,825	3,538,394
Canada Health Transfer	1,409,990	1,435,328	1,507,399
Canada Social Transfer	449,055	457,125	470,934
Other Federal Sources	163,511	168,910	167,356
TCA Cost Shared Revenue	28,717	37,625	89,763
Prior Years' Adjustments	---	11,838	---
Ordinary Recoveries	645,078	619,259	594,798
<b>Total - Federal Sources</b>	<b>6,161,176</b>	<b>6,194,910</b>	<b>6,368,644</b>
<b>Expenses</b>			
Advanced Education	732,171	742,619	542,339
Agriculture	47,946	50,946	48,048
Communities, Culture, Tourism and Heritage	168,120	200,699	162,785
Cyber Security and Digital Solutions	283,921	288,357	322,727
Education and Early Childhood Development	2,225,951	2,201,128	2,341,678
Emergency Management	61,060	62,799	60,190
Energy	48,613	53,613	45,982
Environment and Climate Change	80,124	78,716	59,877
Finance and Treasury Board	48,406	47,687	48,173
Fisheries and Aquaculture	15,095	15,095	17,933
Growth and Development	400,214	404,216	457,047
Health and Wellness	5,976,833	6,337,636	6,714,896
Justice	489,245	504,308	536,436
Labour, Skills and Immigration	246,453	246,849	431,995
Municipal Affairs	337,882	275,505	290,004
Natural Resources	112,138	177,065	131,455
Opportunities and Social Development	1,676,809	1,672,654	1,784,748
Public Service	525,274	536,002	579,386
Public Works	840,141	842,469	921,085
Seniors and Long-term Care	1,462,480	1,540,847	1,573,127
Service Nova Scotia	164,805	174,693	172,758
Restructuring Costs	551,472	651,397	527,721
Refundable Tax Credits	147,960	164,588	160,569
Pension Valuation Adjustment	17,079	(20,042)	(28,914)
Debt Servicing Costs	908,509	919,822	1,030,107
<b>Total - Expenses</b>	<b>17,568,701</b>	<b>18,169,668</b>	<b>18,932,152</b>

**Revenues:** Total Revenues for 2026–27 are projected to be \$17.4 billion, an increase of \$848.6 million or 5.1 per cent over the 2025–26 estimate. This revenue increase is attributable to a \$639.8 million or 6.2 per cent increase in provincial source revenues, and a \$219.1 million or 3.6 per cent increase in federal source revenues (Table 2.2).

**Expenses:** Total Expenses for fiscal year 2026–27 are budgeted at \$18.9 billion, up \$1.4 billion or 7.8 per cent from the 2025–26 estimate. The expense increase is primarily due to a \$1.28 billion or 7.7 per cent increase in departmental expenses. (Table 2.2). Departmental expenses include \$304.9 million in reductions associated with the fiscal stability plan for 2026–27.

**Economic Growth:** Nova Scotia's economy grew 8.0 per cent at current prices in 2024 – the second year in which Nova Scotia led all provinces in nominal GDP growth. This rapid growth was partly due to broad price increases in the Gross Domestic Product (GDP) deflator. For 2025, current indicators suggest that real GDP increased by 1.8 per cent, slowing from the pace of real GDP growth observed in 2024 (3.1 per cent) while nominal GDP increased by 5.0 per cent. Despite slowing population growth and weaker exports, strong construction activity and tight labour markets have supported growth in 2025.

For 2026 and 2027, population growth is projected to slow considerably, limiting labour market gains and slowing growth in household income, consumption and residential investment. A modest recovery in exports is projected to stabilize real GDP growth at 1.5 per cent per year. Nominal GDP growth is expected to slow to 3.4 per cent growth in 2026 before accelerating slightly to 3.7 per cent in 2027.

**Net Debt:** The Net Debt of the Province is expected to be \$24.0 billion for the year ending 2025–26 and \$27.9 billion for the year ending 2026–27, reflecting investments from the 2026–27 capital plan, and the anticipated budget deficit (Table 2.3). Net Debt is forecast to be \$1.6 billion higher than the budget estimate for 2025–26. The Net Debt estimate for 2026–27 is \$5.5 billion above the 2025–26 estimate and \$3.9 billion above the 2025–26 forecast.

The Net Debt-to-GDP ratio for 2025–26 is forecast to be 35.0 per cent instead of 34.3 per cent as projected in Budget 2025–26 (Table 2.3). The increase in the Net Debt-to-GDP ratio reflects an upward adjustment to nominal GDP for 2024 and 2025, which is offset by increased debt projection for 2025–26 as a result of Long-term care facilities accounting change as well as increased deficit and net capital spending. In 2026–27, the Net Debt-to-GDP ratio is expected to be 39.4%.

**Contingency:** Since 2025–26, the Province has introduced a contingency in its fiscal planning. The contingency reflects the impact of unanticipated changes in economic growth, revenues, or expenses, arising from shocks such as tariffs. The contingency will also reflect other unexpected events including disasters, emergencies, and emerging priorities that may arise during the fiscal year and that are not practical to delay until the next budget. For 2025–26, \$20.9 million of the contingency was used for wildfire forest firefighting. The remaining contingency amount (\$179.1 million) has been eliminated in the Final Forecast, as it not anticipated to be used in 2025–26.

For 2026–27, the contingency is \$50.0 million. The budgetary position after the contingency shows the deficit/surplus as a result of provincial government operations and an allowance for this contingency.

**Table 2.3 Budget Summary – Net Debt-to-GDP**

(\$ millions)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate
Net Debt - Before Contingency	22,420	24,030	27,945
Nominal GDP	65,389	68,586	70,945
Net Debt-to-GDP Ratio - Before Contingency	34.3%	35.0%	39.4%
Contingency	200	0	50
Net Debt - After Contingency	22,620	24,030	27,995
Net Debt-to-GDP Ratio - After Contingency	34.6%	35.0%	39.5%
<b>Impact of LTC Accounting Change:</b>			
Net Debt - Before Contingency	22,420	22,657	25,674
Nominal GDP	65,389	68,586	70,945
Net Debt-to-GDP Ratio - Before Contingency	34.3%	33.0%	36.2%
Contingency	200	0	50
Net Debt - After Contingency	22,620	22,657	25,724
Net Debt-to-GDP Ratio - After Contingency	34.6%	33.0%	36.3%

Budget 2026–27 reflects the Province’s continued focus on strategic investments and commitment to fiscal discipline. The long-term care accounting adjustment has added almost \$1.5 billion to the net debt of the Province, and significantly the increased Net Debt-to-GDP ratio. The ratio for 2026–27 would be 36.2 percent without the long-term accounting change, rather than 39.4%.

While the Province’s Net Debt-to-GDP ratio is projected to increase in the near-term, the Province remains committed to achieving the fiscal planning guardrail of 40 per cent established by the Province in 2025–26.

The Province’s fiscal outlook is sensitive to economic events and factors outside of the Province’s control. Subsequent information will be used in future forecast updates to assess Nova Scotia’s fiscal progress.

## 3. Four-Year Fiscal Plan 2026–27 to 2029–30

### Medium-Term Outlook

As outlined in Section 2, Government is adopting a multi-year Fiscal Stability Plan aimed at protecting future fiscal capacity by slowing expense growth to better match revenue growth. This will enable government to continue to invest in priority areas that benefit Nova Scotians. Target reductions have been built into the Province’s four year fiscal plan (Table 3.1).

**Table 3.1 Fiscal Stability Plan Reductions: 2026–27 to 2029–30**

(\$ millions)

	2026-27	2027-28	2028-29	2029-30
<b>Total Target Reductions</b>	304.9	622.3	756.8	914.3

The Province is projecting four years of declining deficits over the Four-Year Fiscal Plan (Table 3.2). The Four-Year Fiscal Plan shows that the Province expects to post a budget deficit of \$1.25 billion in 2025–26 and is estimating a budgetary deficit of \$1.19 billion in 2026–27, followed by smaller deficits in the next three fiscal years. By 2029–30, budgetary deficit \$759.5 million is anticipated. The Province has posted surpluses in the fiscal years 2016–17 to 2019–20, and again from 2021–22 to 2024–25.

There continues to be high degree of global economic uncertainty, which could impact the Province’s operations and budgetary position to an unknown degree. The Province has introduced a contingency in its fiscal planning. The budgetary position before the contingency shows the deficit/surplus as a result of provincial government operations and its fiscal plan.

**Table 3.2 Four-Year Fiscal Plan – Projections 2026–27 to 2029–30**

(\$ millions)

<b>General Revenue Fund</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>	<b>2027-28 Estimate</b>	<b>2028-29 Estimate</b>	<b>2029-30 Estimate</b>
<b>Revenues</b>						
Ordinary Revenues	14,970.2	14,956.5	15,690.5	16,111.5	16,744.8	17,501.9
Ordinary Recoveries	1,070.0	1,166.5	1,201.2	1,092.4	1,138.3	1,101.8
Net Income from Government Business Enterprises	465.4	470.9	462.5	465.3	469.3	471.8
<b>Total Revenues</b>	<b>16,505.6</b>	<b>16,593.9</b>	<b>17,354.3</b>	<b>17,669.2</b>	<b>18,352.3</b>	<b>19,075.5</b>
<b>Expenses</b>						
Departmental Expenses	16,495.2	17,105.3	17,770.4	17,762.8	18,185.7	18,582.7
Refundable Tax Credits	148.0	164.6	160.6	162.5	164.4	166.4
Pension Valuation Adjustment	17.1	(20.0)	(28.9)	(9.8)	3.1	3.7
Debt Servicing Costs	908.5	919.8	1,030.1	1,187.2	1,329.5	1,456.7
<b>Total Expenses</b>	<b>17,568.7</b>	<b>18,169.7</b>	<b>18,932.2</b>	<b>19,102.7</b>	<b>19,682.6</b>	<b>20,209.6</b>
Consolidation and Accounting Adjustments	365.6	326.6	386.9	386.9	380.3	374.6
<b>Provincial Surplus (Deficit) - Before Contingency</b>	<b>(697.5)</b>	<b>(1,249.1)</b>	<b>(1,190.9)</b>	<b>(1,046.6)</b>	<b>(950.0)</b>	<b>(759.5)</b>
Net Debt - Before Contingency	22,420	24,030	27,945	31,306	33,947	35,911
Nominal GDP	65,389	68,586	70,945	73,603	76,129	79,018
Net Debt-to-GDP Ratio - Before Contingency	34.3%	35.0%	39.4%	42.5%	44.6%	45.4%
Contingency	(200.0)	-	(50.0)	(50.0)	(50.0)	(50.0)
<b>Provincial Surplus (Deficit) - After Contingency</b>	<b>(897.5)</b>	<b>(1,249.1)</b>	<b>(1,240.9)</b>	<b>(1,096.6)</b>	<b>(1,000.0)</b>	<b>(809.5)</b>
Net Debt - After Contingency	22,620	24,030	27,995	31,406	34,097	36,111
Nominal GDP	65,389	68,586	70,945	73,603	76,129	79,018
Net Debt-to-GDP Ratio - After Contingency	34.6%	35.0%	39.5%	42.7%	44.8%	45.7%

For 2026–27, the contingency is \$50.0 million. The budgetary position after the contingency shows the deficit/surplus as a result of provincial government operations and an allowance for this contingency.

The Province continues to closely monitor the Net Debt-to-GDP position to ensure it remains within fiscally prudent levels, and has established a planning guardrail to Net Debt-to-GDP less than 40 percent.

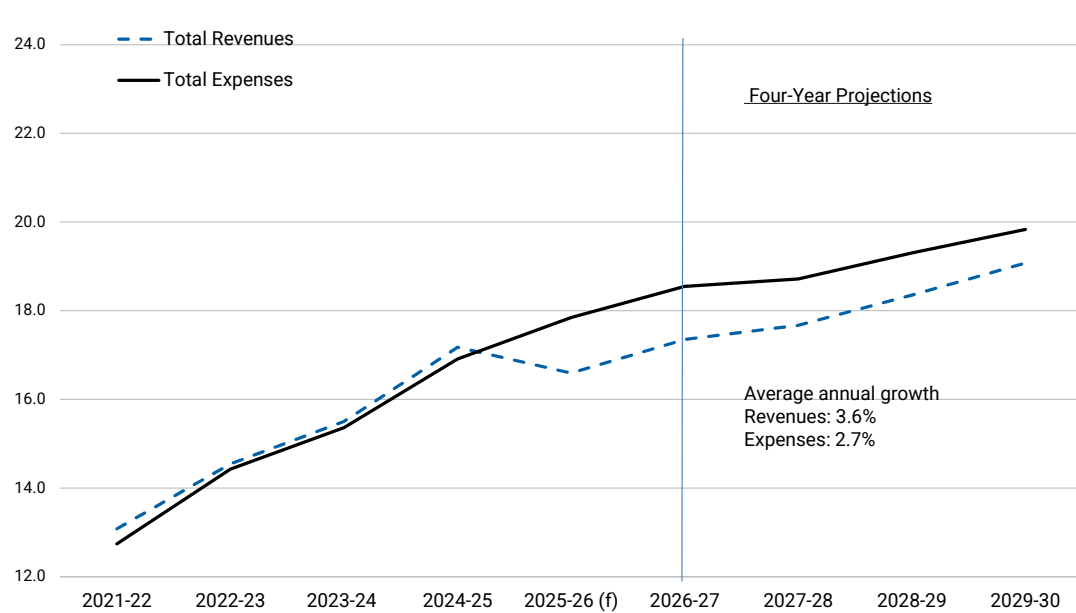
Net Debt results from operating deficits and net capital spending. For 2025–26, Net Debt is forecast to be \$24.0 billion, which is \$1.6 billion above the estimate. Net Debt is projected to increase by a further \$5.5 billion in 2026–27 to \$27.9 billion. Net Debt is expected to be \$35.9 billion by 2029–30.

## Revenue and Expenses

For 2026–27, Total Revenue is estimated to grow by 5.1 per cent above the 2025–26 estimate (up 4.6 per cent from the final forecast). Average annual growth in Total Revenue is projected to be 3.6 per cent over the four-year fiscal period (Chart 3.1).

**Chart 3.1 Revenues and Expenses – Projections 2026–27 to 2029–30**

(\$ billions)



In 2026–27, Total Expenses, including Consolidation and Accounting Adjustments, are projected to increase by 7.8 per cent compared to the 2025–26 estimate (up 4.2 per cent from the final forecast). Average annual growth in Total Expenses is projected to be 2.7 per cent over the four-year fiscal period.

The faster pace of growth in Total Revenue relative to Total Expenses contributes to the declining budgetary deficits between 2026–27 and 2029–30.

## Economic Outlook

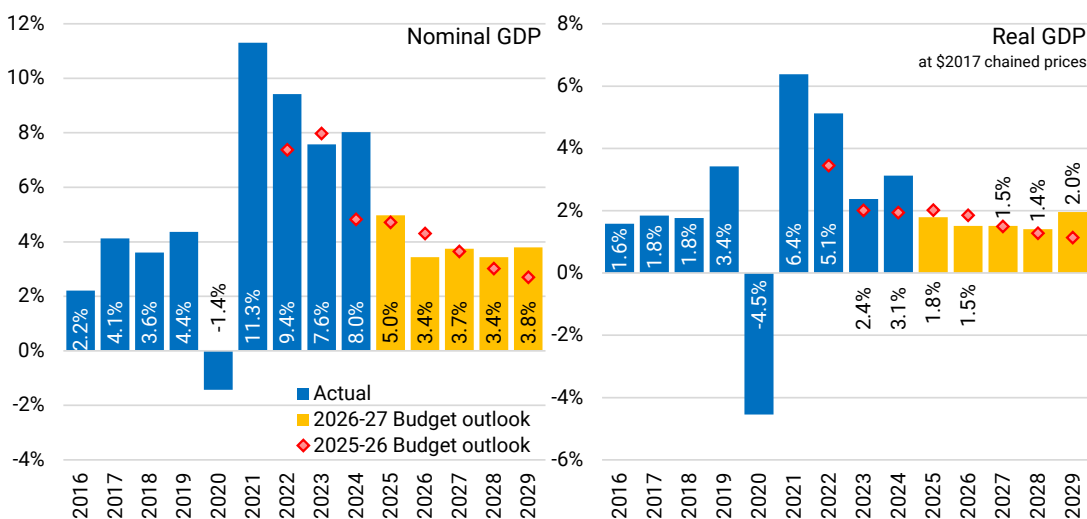
The Province’s medium-term economic outlook forms the basis for revenue projections and provides the benchmark for assessing the relative size of government debt. Any economic projection is subject to forecast uncertainty, especially beyond the short-term.

Nova Scotia’s nominal Gross Domestic Product (GDP) continued to grow at a rapid pace in 2024 due to broad price increases, population and employment gains and strong construction activity. With slowing population gains in 2025, labour force and employment growth has slowed considerably, though labour market tightness has led to stronger wage gains. Construction activity – particularly for housing – has sustained economic momentum despite softer exports.

Over the medium term, Nova Scotia’s economic growth is projected to remain stable with a slight acceleration towards the end of the forecast horizon. While low population growth continues on the assumption of stable immigration, this does not generate substantial labour force or employment growth. Household income, consumer spending, residential investment and exports are all assumed to return to trend growth rates in the medium term. Small variations in the expected pace of economic growth are attributable to changes in major project and investment activity.

**Chart 3.2 Nova Scotia’s Medium-Term Economic Outlook – GDP Growth**

(Per cent change)



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Department of Finance and Treasury Board projections

## Debt

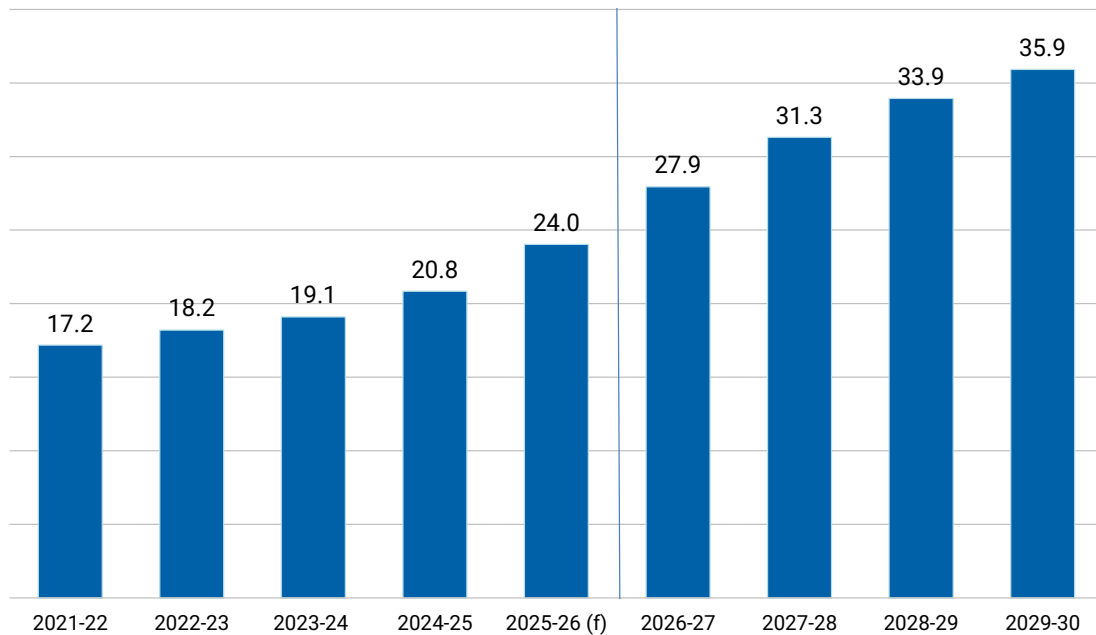
As of the 2024–25 fiscal year-end, the Net Debt of the Province was \$20.8 billion. Net Debt is forecast to be \$24.0 billion for the 2025–26 fiscal year, an increase of \$1.6 billion above the Budget Estimate. Net Debt is projected to increase by \$5.5 billion in 2026–27 to \$27.9 billion. In total, Net Debt is anticipated to increase by \$8.0 billion over the four-year planning horizon, reaching \$35.9 billion in 2029–30 (Chart 3.3)

The debt arising from operating deficits is expected to add \$1.3 billion to the Net Debt between 2026–27 and 2029–30. The remaining \$3.9 billion increase in Net Debt is reflective of the Province’s capital plans over the four-year period. In total, it is estimated that the Net Debt will rise by \$8.0 billion for the period 2026–27 to 2029–30.

The Province of Nova Scotia continues to place emphasis on maintaining a sustainable fiscal position. Net Debt is expected to increase over the next few years because of both capital and operating investments in priority areas. Most significantly, by 2029–30, the long-term care accounting adjustment will have added more than \$3 billion to net debt.

**Chart 3.3 Projected Net Debt**

(\$ billions)

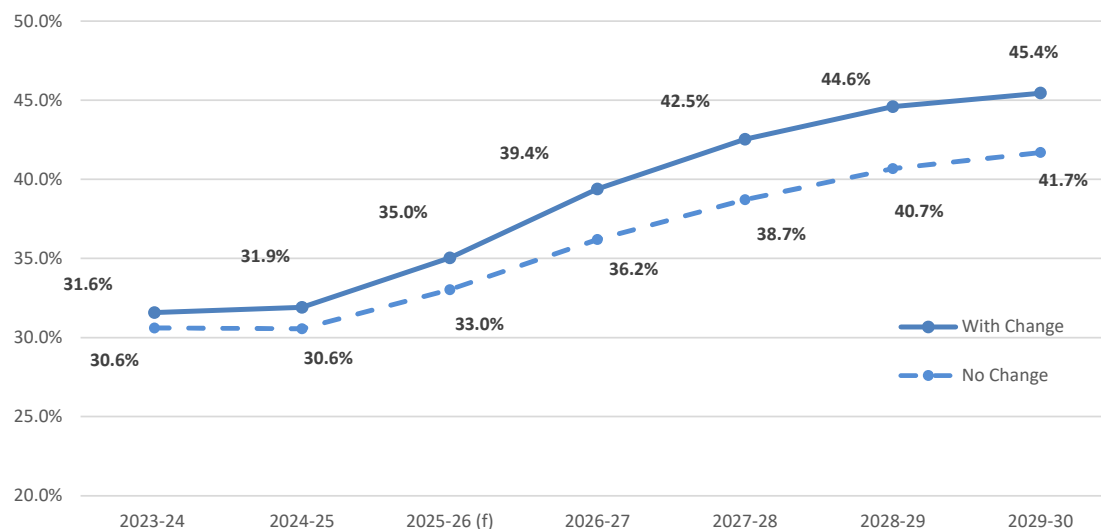


Statistics Canada’s November release of the Provincial and Territorial Economic Accounts led to higher estimates for nominal GDP in 2024 than what was used for the 2025 Public Accounts. Consequently, a higher GDP figure is used in the calculation of the Province’s Net Debt-to-GDP ratio than what was used for the forecast in the 2025 Public Accounts. The 2024–25 Net Debt-to-GDP ratio was forecast to be 33.4 per cent in the Public Accounts but has been revised down by 1.5 percentage points to 31.9 per cent using the revised 2024 GDP figure.

Nova Scotia’s Net Debt-to-GDP ratio is forecast to be 35.0 per cent for 2025–26. While this is higher than the 2025–26 Budget Estimate of 34.3 per cent, the ratio would have been 33.0 per cent without the long term care accounting change (Chart 3.4). Over the fiscal plan, Net Debt-to-GDP is forecast to increase because of expectations for both slower growth in nominal GDP and an increase in the Net Debt of the Province, primarily associated with its Capital Plan, including capital associated with the long term accounting change (Chart 3.4).

**Chart 3.4 Projected Net Debt-to-GDP Ratio, With and Without Long Term Accounting Adjustment**

(percentage of GDP)



Over the next four years the Net Debt-to-GDP ratio is expected to increase, reaching 45.4 per cent by 2029–30. This is due to generational investments that the Province is making in capital infrastructure projects which add to Net Debt, as well as slower forecasted rates of Nominal GDP growth. The cumulative impact of the accounting change is significant. Without the change, Net Debt-to-GDP would have been 41.7 per cent by 2029–30, a full 3.7 percentage points lower.

## 4. 2025–26 Budget Forecast Update

The Final Forecast Update presents the fiscal outlook for Nova Scotia for 2025–26. This is based on updated information about the major components of revenue and expenses as set out in the 2025–26 Budget Estimates, tabled on February 18, 2025.

Relative to the 2025–26 Budget Estimates, the deficit is expected to increase, attributed to increasing expenses partially offset by higher revenues, as well as accounting adjustments related to long-term care facilities. For 2026–27, \$20.9 million of the contingency was used for wildfire forest firefighting. The remaining contingency amount (\$179.1 million) has been eliminated in the Final Forecast, as it not anticipated to be used in 2026–27, as many of the potential risks associated with the tariffs have not directly materialized.

The Province of Nova Scotia is forecasting a deficit of \$1.25 billion for the year ending March 31, 2026, which is higher by \$551.6 million from the budgeted deficit before contingency of \$697.5 million, and \$351.6 million from the budgeted deficit after contingency of \$897.5 million (Table 4.1). The difference is due to Total Revenues being \$88.3 million higher than expected, total Expenses being \$601.0 million higher than expected, and changes to Consolidation and Accounting Adjustments are \$39.0 million less than budgeted, increasing the deficit.

**Table 4.1 2025–26 Final Forecast Update**

(\$ thousands)

	2025-26 Estimate	2025-26 Forecast	Increase (Decrease) from Estimate
<b>General Revenue Fund</b>			
<b>Revenues</b>			
Ordinary Revenue	14,970,232	14,956,547	(13,685)
Ordinary Recoveries	1,069,950	1,166,457	96,507
Net Income from Government Business Enterprises	465,447	470,940	5,493
<b>Total Revenues</b>	<b>16,505,629</b>	<b>16,593,944</b>	<b>88,315</b>
<b>Expenses</b>			
Departmental Expenses	16,495,153	17,105,300	610,147
Refundable Tax Credits	147,960	164,588	16,628
Pension Valuation Adjustment	17,079	(20,042)	(37,121)
Debt Servicing Costs	908,509	919,822	11,313
<b>Total Expenses</b>	<b>17,568,701</b>	<b>18,169,668</b>	<b>600,967</b>
Consolidation and Accounting Adjustments	365,573	326,618	(38,955)
<b>Provincial Surplus (Deficit) before contingency</b>	<b>(697,499)</b>	<b>(1,249,106)</b>	<b>(551,607)</b>
Contingency	(200,000)	---	(200,000)
<b>Provincial Surplus (Deficit) after contingency</b>	<b>(897,499)</b>	<b>(1,249,106)</b>	<b>(351,607)</b>

## Budget 2025–26 Revenues

Total Revenues are forecast to be \$16.6 billion (Table 4.2).

**Table 4.2 2025–26 Final Forecast Update – Total Revenue**

(\$ thousands)

	2025-26 Estimate	2025-26 Forecast	Increase (Decrease) from Estimate
<b>General Revenue Fund: Revenues</b>			
<b>Ordinary Revenue - Provincial Sources</b>			
<b>Tax Revenue</b>			
Personal Income Tax	4,730,924	4,632,262	(98,662)
Corporate Income Tax	836,540	876,732	40,192
Harmonized Sales Tax	2,588,233	2,611,316	23,083
Cannabis Tax	19,110	21,948	2,838
Vaping Tax	3,085	2,864	(221)
Non-resident Deed Transfer Tax	27,752	18,733	(9,019)
Motive Fuel Tax	284,393	283,604	(789)
Tobacco Tax	93,291	88,923	(4,368)
Other Tax Revenue	248,607	253,176	4,569
Prior Years' Adjustments - Provincial Taxes	---	12,470	12,470
	8,831,935	8,802,028	(29,907)
<b>Other Provincial Revenue</b>			
Registry of Motor Vehicles	155,425	159,186	3,761
Other Provincial Sources	176,530	189,531	13,001
TCA Cost Shared Revenue - Provincial Sources	10,278	12,557	2,279
Other Fees and Charges	62,897	66,873	3,976
Gain (Loss) on Disposal of Crown Assets	1,700	1,955	255
	406,830	430,102	23,272
<b>Investment Income</b>			
Interest Revenues	188,226	121,243	(66,983)
Sinking Fund Earnings	27,143	27,523	380
	215,369	148,766	(66,603)
<b>Total - Provincial Sources</b>	<b>9,454,134</b>	<b>9,380,896</b>	<b>(73,238)</b>
<b>Ordinary Revenue - Federal Sources</b>			
Equalization Payments	3,464,825	3,464,825	---
Canada Health Transfer	1,409,990	1,435,328	25,338
Canada Social Transfer	449,055	457,125	8,070
Other Federal Sources	163,511	168,910	5,399
TCA Cost Shared Revenue - Federal Sources	28,717	37,625	8,908
Prior Years' Adjustments - Federal Sources	---	11,838	11,838
<b>Total - Federal Sources</b>	<b>5,516,098</b>	<b>5,575,651</b>	<b>59,553</b>
<b>Total - Ordinary Revenue</b>	<b>14,970,232</b>	<b>14,956,547</b>	<b>(13,685)</b>
<b>Total - Ordinary Recoveries</b>	<b>1,069,950</b>	<b>1,166,457</b>	<b>96,507</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>			
Nova Scotia Liquor Corporation	264,020	266,453	2,433
Nova Scotia Gaming Corporation	199,200	201,700	2,500
Highway 104 Western Alignment Corporation	2,227	2,787	560
<b>Total - Net Income from GBEs</b>	<b>465,447</b>	<b>470,940</b>	<b>5,493</b>
<b>Total - Revenues</b>	<b>16,505,629</b>	<b>16,593,944</b>	<b>88,315</b>

**Ordinary Revenue:** Relative to the 2025–26 Budget Estimates, overall tax revenue is forecast to be \$29.9 million lower. Expected decreases include \$98.7 million from Personal Income Tax (PIT), \$9.0 million from the Non-Resident Deed Transfer Tax, and \$4.4 million from Tobacco Tax. These declines are partially offset with increases of \$40.2 million in Corporate Income Tax, \$23.1 million in Harmonized Sales Tax (HST), \$4.6 million in other taxes, and \$2.8 million in Cannabis Tax. The Prior Years' Adjustment (PYA) for provincial taxes is forecast to be a net positive of \$12.5 million with higher HST revenue offsetting lower PIT revenue in 2024.

Other Provincial Revenue is forecast to be up by \$23.3 million. Increases are expected for Other Fees and Charges of \$4.0 million, Other Provincial Sources revenue of \$13.0 million, Registry of Motor Vehicles revenue of \$3.8 million, Gain on Disposal of Crown Assets revenue of \$0.3 million, and Provincial Source Tangible Capital Asset (TCA) Cost Shared Revenue of \$2.3 million.

Investment Income is forecast to be down \$66.6 million. Interest Revenues are expected to decrease by \$67.0 million, primarily due to a decrease in the Department of Growth and Development from \$79.3 million to \$5.1 million mainly associated with the long-term care facilities accounting change, along with a decrease in short-term investment interest revenue of \$8.5 million due to lower investment holdings. This decrease is partially offset by an increase in Farm Loan Board and Fisheries and Aquaculture Loan Board Interest revenue of \$8.8 million and \$8.2 million, respectively. Sinking Fund Earnings are expected to increase by \$0.4 million, reflecting slightly higher than projected interest rates.

Federal Source Ordinary Revenues are forecast to be \$59.6 million higher than the 2025–26 Budget Estimates. This is primarily because of increases in federal transfer entitlements due to revised population estimates released by Statistics Canada. For 2025–26 there were increases of \$25.3 million in the Canada Health Transfer (CHT), \$8.1 million in the Canada Social Transfer (CST), and a positive \$11.8 million PYA related to 2024–25. Other Federal Sources revenue is forecast to be \$5.4 million higher, and Federal Source TCA Revenue is forecast to be up by \$8.9 million.

**Ordinary Recoveries:** Revenue from Ordinary Recoveries is forecast to be \$96.5 million higher than Budget Estimates. This is primarily due to an increase of \$101.4 million in PYAs, \$33.6 million from Emergency Management primarily due to federal Disaster Financial Assistance Arrangements (DFAA) program, and \$12.6 million from Cyber Security and Digital Solutions mainly due to One Person One Record and hardware and software purchases on behalf of Nova Scotia Health. These increases are partially offset by decreases of \$37.9 million from Municipal Affairs, primarily due to the Investing in Canada Infrastructure Program due to shifts in cashflows, and \$27.2 million in Education and Early Childhood Development mainly associated with the Canada Wide Early Learning and Child Care Agreements, due to construction delays.

**Net Income from Government Business Enterprises (GBEs):** Net Income from GBEs is forecast to increase by \$5.5 million, primarily due to increases in net income at the Nova Scotia Liquor Corporation of \$2.4 million, the Nova Scotia Gaming Corporation of \$2.5 million, and Highway 104 Western Alignment Corporation of \$0.6 million.

## Budget 2025–26 Expenses

Total Expenses are forecast to be \$18.2 billion (Table 4.3).

**Table 4.3 2025–26 Final Forecast Update – Total Expenses**

(\$ thousands)

<b>General Revenue Fund: Expenses</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>Increase (Decrease) from Estimate</b>
<b>Departmental Expenses</b>			
Advanced Education	732,171	742,619	10,448
Agriculture	47,946	50,946	3,000
Communities, Culture, Tourism and Heritage	168,120	200,699	32,579
Cyber Security and Digital Solutions	283,921	288,357	4,436
Education and Early Childhood Development	2,225,951	2,201,128	(24,823)
Emergency Management	61,060	62,799	1,739
Energy	48,613	53,613	5,000
Environment and Climate Change	80,124	78,716	(1,408)
Finance and Treasury Board	48,406	47,687	(719)
Fisheries and Aquaculture	15,095	15,095	---
Growth and Development	400,214	404,216	4,002
Health and Wellness	5,976,833	6,337,636	360,803
Justice	489,245	504,308	15,063
Labour, Skills and Immigration	246,453	246,849	396
Municipal Affairs	337,882	275,505	(62,377)
Natural Resources	112,138	177,065	64,927
Opportunities and Social Development	1,676,809	1,672,654	(4,155)
Public Service	525,274	536,002	10,728
Public Works	840,141	842,469	2,328
Seniors and Long-term Care	1,462,480	1,540,847	78,367
Service Nova Scotia	164,805	174,693	9,888
Restructuring Costs	551,472	651,397	99,925
<b>Total - Departmental Expenses</b>	<b>16,495,153</b>	<b>17,105,300</b>	<b>610,147</b>
<b>Other Expenses</b>			
Refundable Tax Credits	147,960	164,588	16,628
Pension Valuation Adjustment	17,079	(20,042)	(37,121)
Debt Servicing Costs	908,509	919,822	11,313
<b>Total - Expenses</b>	<b>17,568,701</b>	<b>18,169,668</b>	<b>600,967</b>

**Departmental Expenses:** Total Departmental Expenses are forecast to increase by \$610.1 million relative to the 2025–26 Budget Estimates, due to net increases in several departments as follows:

The **Department of Health and Wellness** is forecast to be \$360.8 million higher than Budget primarily due to \$148.0 million for anticipated operational pressures for the Nova Scotia Health Authority and the IWK mainly attributable to staffing costs, facility operations, inflationary increases for medical/surgical supplies and drug costs, \$81.3 million for Health Transformation initiatives, \$80.6 million for Physician Services mainly due to more physicians choosing the Longitudinal Family Medicine (LFM) funding model, \$41.5 million for Health Support wage settlement, \$30.2 million for Emergency Health Services mainly due to more paramedics in the workforce resulting in higher staffing expenses, and \$18.8 million utilization for plasma protein/fresh blood products through Canadian Blood Services. These increases are partially offset by a decrease of \$54.8 million in capital grants and amortization due to shifts in the timing of projects.

The **Department of Seniors and Long-term Care** is forecast to be \$78.4 million higher than Budget, primarily due to \$70.4 million for increased participation in the Home Support Direct Funding program, \$28.0 million in Home Care utilization pressures, \$22.4 million for attendant care in long-term care facilities, \$5.9 million in information technology initiatives for home care, \$3.9 million for increased participation in the Care Giver Benefit program, and \$3.0 million for increased participation in the Seniors Care Grant. These increases are partially offset by decreases of \$20.6 million for facility accommodation collections, \$18.7 million accounting adjustment related to loan repayments by long-term care service providers, and \$14.6 million due to timing delays for new facilities.

The **Department of Natural Resources** is forecast to be \$64.9 million higher than Budget, primarily due to \$30.0 million in large scale forest firefighting efforts, \$28.0 million related to digitizing geoscience assets, \$4.2 million in anticipated operational pressures for seasonal wildfire support and forest nursery operations, and \$2.0 million related to conducting a geophysical scoping survey.

The **Department of Communities, Culture, Tourism and Heritage** is forecast to be \$32.6 million higher than Budget, primarily due to more support for projects through the Nova Scotia Film and Television Production Incentive Fund.

The **Department of Municipal Affairs** is forecast to be \$62.4 million lower than Budget, primarily due to \$65.5 million related to timing of municipal projects under the Investing in Canada Infrastructure Program, partially recoverable.

**Refundable Tax Credits:** The cost of Refundable Tax Credits is forecast to be \$16.6 million higher than Budget Estimates. Increases are anticipated for the Digital Media, Capital Investment, Digital Animation, Children’s Sports and Arts, and Scientific Research and Experimental Development Tax Credits. While lower estimates for the Affordable Living, Fertility and Surrogacy, and the Volunteer Firefighter and Ground Search and Rescue Tax Credits partially offset the increases.

**Pension Valuation Adjustment:** The Pension Valuation Adjustment has decreased by \$37.1 million, primarily because of the impact of changes to discount rates and updated actuarial assumptions.

**Debt Servicing Costs:** Costs have increased by \$11.3 million primarily due to higher realized interest rates.

## 2025–26 Consolidation and Accounting Adjustments

Consolidation and Accounting Adjustments are forecast to be \$39.0 million lower than Budget primarily due to decreases of \$53.6 million in cash flow requirements for healthcare infrastructure and other projects, \$12.6 million for Halifax Harbour Bridges, and \$7.2 million across other organizations. These decreases are partially offset by \$34.4 million higher than anticipated healthcare capital revenues.

## 5. Budget 2026–27

The Province of Nova Scotia is projecting a deficit of \$1.19 billion for the 2026–27 fiscal year. This section provides more detail on revenues by source, total expenses, and the estimated value of tax credits, rebates, and tax expenditures.

### Budget 2026–27: Revenue Outlook

In 2026–27, Nova Scotia's Total Revenue in its General Revenue Fund is estimated to be \$17.4 billion. This is an increase of \$848.6 million or 5.1 per cent from the 2025–26 Budget Estimates and an increase of \$760.3 million or 4.6 per cent compared to the 2025–26 forecast.

Total Revenue from all provincial sources, including Ordinary Recoveries and Net Income from Government Business Enterprises (GBEs), contributes 63.3 per cent of all revenue in 2026–27. Revenue from federal sources contributes 36.7 per cent of all revenue in 2026–27. Tables 5.1 and 5.2 provide financial statistics for revenues by source in dollar amounts and as a percentage of Total Revenue, respectively. Chart 5.1 provides a percentage breakdown of revenues by source. Table 5.3 shows Ordinary Revenue estimates by department.

Provincial Source Ordinary Revenues in 2026–27 are expected to be \$9.9 billion. This is an increase of \$462.5 million or 4.9 per cent from the 2025–26 Budget Estimates and an increase of \$535.8 million or 5.7 per cent from the 2025–26 forecast.

Federal Source Ordinary Revenues are projected to be \$5.8 billion in 2026–27, an increase of \$257.7 million or 4.7 per cent from the 2025–26 Budget Estimates and an increase of \$198.2 million or 3.6 per cent from the 2025–26 forecast.

Ordinary Recoveries from provincial sources are projected to be \$606.4 million in 2026–27, up \$181.6 million or 42.7 per cent from the 2025–26 Budget Estimates and up \$59.2 million or 10.8 per cent compared to the 2025–26 forecast. Federal source recoveries are estimated to be \$594.8 million, down \$50.3 million or 7.8 per cent from the 2025–26 Budget Estimates and down \$24.5 million or 4.0 per cent from the 2025–26 forecast. Table 5.4 provides Ordinary Recovery revenue estimates by department.

Net Income from GBEs is expected to be \$462.5 million in 2026–27, down \$2.9 million or 0.6 per cent from the 2025–26 Budget Estimates, and down \$8.4 million or 1.8 per cent from the 2025–26 forecast.

**Table 5.1 Revenues by Source**

(\$ thousands)

<b>General Revenue Fund: Revenues</b>	<b>2023-24 Actual</b>	<b>2024-25 Actual</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
<b>Ordinary Revenue - Provincial Sources</b>					
<b>Tax Revenue</b>					
Personal Income Tax	3,951,415	4,471,232	4,730,924	4,632,262	4,932,857
Corporate Income Tax	673,756	942,496	836,540	876,732	893,408
Harmonized Sales Tax	2,615,601	2,667,054	2,588,233	2,611,316	2,755,058
Cannabis Tax	16,946	18,916	19,110	21,948	23,331
Vaping Tax	3,495	3,206	3,085	2,864	14,564
Non-resident Deed Transfer Tax	11,204	14,559	27,752	18,733	24,552
Motive Fuel Tax	285,789	272,370	284,393	283,604	297,678
Tobacco Tax	132,188	108,335	93,291	88,923	73,930
Other Tax Revenue	265,277	283,898	248,607	253,176	271,200
Prior Years' Adjustments - Provincial Taxes	529,446	576,059	---	12,470	---
	8,485,117	9,358,125	8,831,935	8,802,028	9,286,578
<b>Other Provincial Revenue</b>					
Registry of Motor Vehicles	149,667	155,286	155,425	159,186	163,275
Other Provincial Sources	157,878	388,482	176,530	189,531	170,282
TCA Cost Shared Revenue - Provincial Sources	8,695	8,682	10,278	12,557	1,799
Other Fees and Charges	63,507	73,437	62,897	66,873	65,745
Gain (Loss) on Disposal of Crown Assets	81	8,266	1,700	1,955	80,000
	379,828	634,153	406,830	430,102	481,101
<b>Investment Income</b>					
Interest Revenues	136,393	170,858	188,226	121,243	116,865
Sinking Fund Earnings	24,369	25,856	27,143	27,523	32,121
	160,762	196,714	215,369	148,766	148,986
<b>Total - Provincial Sources</b>	<b>9,025,707</b>	<b>10,188,992</b>	<b>9,454,134</b>	<b>9,380,896</b>	<b>9,916,665</b>
<b>Ordinary Revenue - Federal Sources</b>					
Equalization Payments	2,802,849	3,284,338	3,464,825	3,464,825	3,538,394
Canada Health Transfer	1,357,400	1,357,718	1,409,990	1,435,328	1,507,399
Canada Social Transfer	433,520	440,804	449,055	457,125	470,934
Other Federal Sources	162,575	167,883	163,511	168,910	167,356
TCA Cost Shared Revenue - Federal Sources	75,800	28,889	28,717	37,625	89,763
Prior Years' Adjustments - Federal Sources	7,369	542	---	11,838	---
<b>Total - Federal Sources</b>	<b>4,839,513</b>	<b>5,280,174</b>	<b>5,516,098</b>	<b>5,575,651</b>	<b>5,773,846</b>
<b>Total - Ordinary Revenue</b>	<b>13,865,220</b>	<b>15,469,166</b>	<b>14,970,232</b>	<b>14,956,547</b>	<b>15,690,511</b>
<b>Ordinary Recoveries</b>					
Provincial Sources	544,982	560,636	424,872	547,198	606,442
Federal Sources	612,707	653,384	645,078	619,259	594,798
<b>Total - Ordinary Recoveries</b>	<b>1,157,689</b>	<b>1,214,020</b>	<b>1,069,950</b>	<b>1,166,457</b>	<b>1,201,240</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>					
Nova Scotia Liquor Corporation	283,770	280,189	264,020	266,453	256,005
Nova Scotia Gaming Corporation	178,993	206,684	199,200	201,700	204,800
Halifax-Dartmouth Bridge Commission	8,885	(1,265)	---	---	---
Highway 104 Western Alignment Corporation	6,721	5,259	2,227	2,787	1,710
<b>Total - Net Income from GBEs</b>	<b>478,369</b>	<b>490,867</b>	<b>465,447</b>	<b>470,940</b>	<b>462,515</b>
<b>Total - Revenues</b>	<b>15,501,278</b>	<b>17,174,053</b>	<b>16,505,629</b>	<b>16,593,944</b>	<b>17,354,266</b>

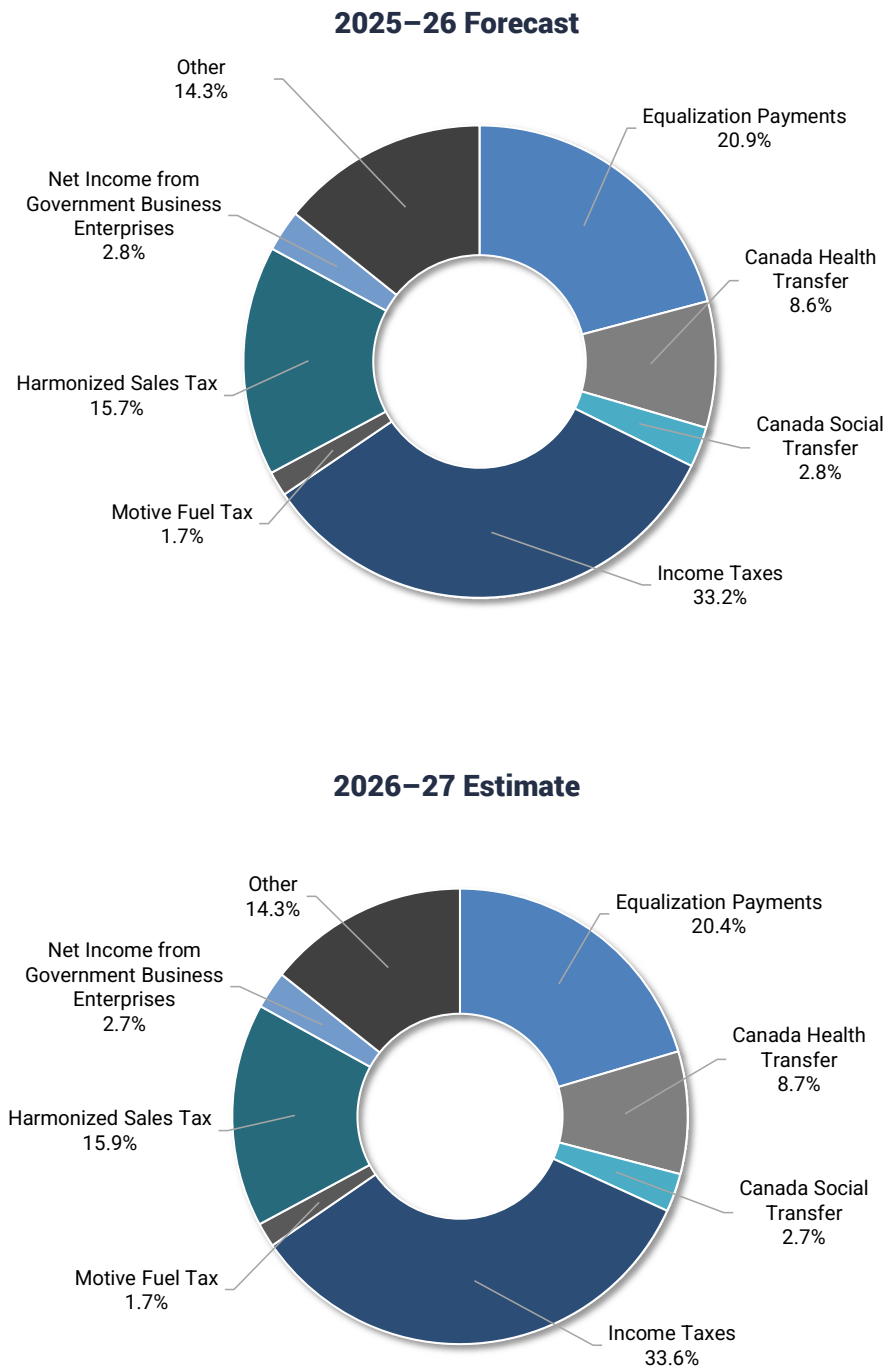
**Table 5.2 Revenues by Source**

(percentage of Total Revenue)

<b>General Revenue Fund: Revenues</b>	<b>2023-24 Actual</b>	<b>2024-25 Actual</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
<b>Ordinary Revenue - Provincial Sources</b>					
<b>Tax Revenue</b>					
Personal Income Tax	25.5%	26.0%	28.7%	27.9%	28.4%
Corporate Income Tax	4.3%	5.5%	5.1%	5.3%	5.1%
Harmonized Sales Tax	16.9%	15.5%	15.7%	15.7%	15.9%
Cannabis Tax	0.1%	0.1%	0.1%	0.1%	0.1%
Vaping Tax	0.0%	0.0%	0.0%	0.0%	0.1%
Non-resident Deed Transfer Tax	0.1%	0.1%	0.2%	0.1%	0.1%
Motive Fuel Tax	1.8%	1.6%	1.7%	1.7%	1.7%
Tobacco Tax	0.9%	0.6%	0.6%	0.5%	0.4%
Other Tax Revenue	1.7%	1.7%	1.5%	1.5%	1.6%
Prior Years' Adjustments - Provincial Taxes	3.4%	3.4%	0.0%	0.1%	0.0%
	54.7%	54.5%	53.5%	53.0%	53.5%
<b>Other Provincial Revenue</b>					
Registry of Motor Vehicles	1.0%	0.9%	0.9%	1.0%	0.9%
Other Provincial Sources	1.0%	2.3%	1.1%	1.1%	1.0%
TCA Cost Shared Revenue - Provincial Sources	0.1%	0.1%	0.1%	0.1%	0.0%
Other Fees and Charges	0.4%	0.4%	0.4%	0.4%	0.4%
Gain (Loss) on Disposal of Crown Assets	0.0%	0.0%	0.0%	0.0%	0.5%
	2.4%	3.7%	2.5%	2.6%	2.8%
<b>Investment Income</b>					
Interest Revenues	1.0%	1.0%	1.1%	0.7%	0.7%
Sinking Fund Earnings	0.2%	0.2%	0.2%	0.2%	0.2%
	1.1%	1.1%	1.3%	0.9%	0.9%
<b>Total - Provincial Sources</b>	<b>58.3%</b>	<b>59.3%</b>	<b>57.3%</b>	<b>56.5%</b>	<b>57.1%</b>
<b>Ordinary Revenue - Federal Sources</b>					
Equalization Payments	18.1%	19.1%	21.0%	20.9%	20.4%
Canada Health Transfer	8.7%	7.9%	8.5%	8.6%	8.7%
Canada Social Transfer	2.8%	2.6%	2.7%	2.8%	2.7%
Other Federal Sources	1.0%	1.0%	1.0%	1.0%	1.0%
TCA Cost Shared Revenue - Federal Sources	0.5%	0.2%	0.2%	0.2%	0.5%
Prior Years' Adjustments - Federal Sources	0.0%	0.0%	0.0%	0.1%	0.0%
<b>Total - Federal Sources</b>	<b>31.2%</b>	<b>30.7%</b>	<b>33.4%</b>	<b>33.6%</b>	<b>33.3%</b>
<b>Total - Ordinary Revenue</b>	<b>89.5%</b>	<b>90.1%</b>	<b>90.7%</b>	<b>90.1%</b>	<b>90.4%</b>
<b>Ordinary Recoveries</b>					
Provincial Sources	3.5%	3.3%	2.6%	3.3%	3.5%
Federal Sources	3.9%	3.8%	3.9%	3.7%	3.4%
<b>Total - Ordinary Recoveries</b>	<b>7.5%</b>	<b>7.1%</b>	<b>6.5%</b>	<b>7.0%</b>	<b>6.9%</b>
<b>Net Income from Government Business Enterprises (GBEs)</b>					
Nova Scotia Liquor Corporation	1.8%	1.6%	1.6%	1.6%	1.5%
Nova Scotia Gaming Corporation	1.2%	1.2%	1.2%	1.2%	1.2%
Halifax-Dartmouth Bridge Commission	0.1%	0.0%	0.0%	0.0%	0.0%
Highway 104 Western Alignment Corporation	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total - Net Income from GBEs</b>	<b>3.1%</b>	<b>2.9%</b>	<b>2.8%</b>	<b>2.8%</b>	<b>2.7%</b>
<b>Total - Revenues</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Note: Numbers may not add up to totals due to rounding.

**Chart 5.1 Total Revenue 2025–26 Forecast and 2026–27 Estimate**



Note: Numbers may not add up to totals due to rounding.

**Table 5.3 Ordinary Revenues by Department**

(\$ thousands)

<b>General Revenue Fund: Ordinary Revenues</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
Advanced Education	10,140	9,540	9,040
Agriculture	6,558	4,680	7,700
Communities, Culture, Tourism and Heritage	2,017	2,892	2,129
Cyber Security and Digital Solutions	---	---	---
Education and Early Childhood Development	3,698	9,510	17,032
Emergency Management	---	---	---
Energy	110	110	110
Environment and Climate Change	33,983	39,746	21,952
Finance and Treasury Board	13,875,508	13,901,694	14,596,570
Fisheries and Aquaculture	1,795	1,795	1,795
Growth and Development	82,170	6,564	11,334
Health and Wellness	172,896	196,197	238,752
Justice	22,176	26,855	23,466
Labour, Skills and Immigration	3,076	3,131	5,676
Municipal Affairs	5	5	5
Natural Resources	19,963	17,228	18,423
Opportunities and Social Development	11	11	11
Public Service	59,531	58,928	58,500
Public Works	25,548	31,128	15,894
Seniors and Long-term Care	36,757	29,323	27,767
Service Nova Scotia	614,290	617,210	634,355
<b>Total - Ordinary Revenues</b>	<b>14,970,232</b>	<b>14,956,547</b>	<b>15,690,511</b>

**Table 5.4 Ordinary Recoveries by Department**

(\$ thousands)

<b>General Revenue Fund: Ordinary Recoveries</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
Advanced Education	11,769	12,597	14,555
Agriculture	5,602	5,602	5,602
Communities, Culture, Tourism and Heritage	9,852	10,171	5,151
Cyber Security and Digital Solutions	9,392	21,963	22,317
Education and Early Childhood Development	223,946	196,754	227,855
Emergency Management	16,851	50,436	19,646
Energy	32,722	32,722	6,074
Environment and Climate Change	8,759	10,187	1,665
Finance and Treasury Board	279	279	175
Fisheries and Aquaculture	500	500	500
Growth and Development	63,475	63,475	60,768
Health and Wellness	145,887	148,554	146,685
Justice	156,794	155,245	157,184
Labour, Skills and Immigration	124,765	127,261	133,615
Municipal Affairs	199,899	161,996	179,030
Natural Resources	6,587	6,587	7,203
Opportunities and Social Development	23,658	23,658	20,823
Public Service	7,535	6,744	7,455
Public Works	16,438	19,374	19,832
Restructuring Costs	---	101,400	156,600
Service Nova Scotia	5,240	10,952	8,505
<b>Total - Ordinary Recoveries</b>	<b>1,069,950</b>	<b>1,166,457</b>	<b>1,201,240</b>

## Ordinary Revenue – Provincial Sources – Tax Revenue

**Personal Income Tax (PIT):** Nova Scotia's 2026–27 estimate for PIT is \$4.9 billion, up \$201.9 million or 4.3 per cent compared to the 2025–26 Budget Estimates and up \$300.6 million or 6.5 per cent from the 2025–26 forecast.

Personal taxable income is projected to grow by \$2.3 billion to \$48.6 billion in 2026, an increase of 5.1 per cent, growing to \$51.1 billion in 2027, an increase of 5.0 per cent. Taxable income growth is supported by higher wages and salaries, and household income. Yield is expected to rise by 1.5 per cent in 2026 and 1.3 per cent in 2027 after declining in 2025 due to the introduction of indexation and extending enhancements to the Basic Personal Amount and the Age, Spousal and Eligible Dependant Amounts, to all Nova Scotian tax filers.

Indexation of income tax brackets and certain tax credits for the 2025 tax year was 3.1 per cent, and for the 2026 tax year is 1.6 per cent. Indexation and the increase to basic credits announced in Budget 2025–26 are estimated to save Nova Scotians \$237.8 million in 2026–27.

Table 5.5 provides a summary of PIT revenue growth since 2023, broken down by taxable income and the yield rate by taxation year. The yield rate is the effective or average tax rate on personal taxable income.

**Table 5.5 Components of PIT Revenue by Calendar Year**

	2023	2024	2025 (F)	2026 (E)	2027 (E)
Personal Taxable Income (\$ billions)	41.9	43.9	46.3	48.6	51.1
Yield Rate (per cent)	9.82%	10.02%	9.92%	10.06%	10.19%
Net PIT (\$ millions)	4,113	4,431	4,612	4,913	5,224

**Corporate Income Tax (CIT):** Nova Scotia's 2026–27 estimate for CIT is \$893.4 million, up \$56.9 million or 6.8 per cent compared to the 2025–26 Budget Estimates and up \$16.7 million or 1.9 per cent from the 2025–26 forecast. National corporate taxable income is forecast to grow with an increase of \$16.5 billion or 2.7 per cent in 2026 and \$22.0 billion or 3.5 per cent in 2027.

The Province calculates its share of national corporate taxable income on a three-year moving average of actual shares. For 2026–27 the Province's share is forecast to be 1.39 per cent, up 2.1 per cent from the 2025–26 Budget Estimates. Nova Scotia's corporate taxable income in 2026 is forecast to be \$8.7 billion, growing to \$9.0 billion in 2027.

Effective April 1, 2025, the small business tax rate was reduced to 1.5 per cent and the small business threshold increased to \$700,000. These measures are estimated to save small businesses \$46.3 million in 2026–27.

**Harmonized Sales Tax (HST):** The net HST estimate is \$2.8 billion in 2026–27, up \$166.8 million or 6.4 per cent compared to 2025–26 Budget Estimates and up \$143.7 million or 5.5 per cent from the 2025–26 forecast.

The increase in HST revenue and point-of-sale rebates is attributable to a higher tax base that is forecast to rise \$1.2 billion in 2026 and \$1.4 billion in 2027. Consumer expenditure is the largest portion of the HST tax base, accounting for 67 per cent, followed by the housing base accounting for 15 per cent. The consumer expenditure base is forecast to grow 4.0 per cent in 2026 and 4.6 per cent in 2027 based on household final consumption growth.

In line with expected investment in residential structures, taxable residential housing expenditures are forecast to grow 4.4 per cent in 2026 and 3.3 per cent in 2027. Purpose-built rental housings rebates are forecast to be \$95.1 million in 2026–27 as more eligible units are completed.

The rebate on residential energy (Your Energy Rebate Program) is forecast to be \$134.1 million in 2026–27 and point-of-sales rebates for children’s clothing, footwear, and diapers, and printed books are forecast to be \$21.4 million in 2026–27.

The one percentage point reduction in the provincial portion of the Harmonized Sales Tax (HST) rate as of April 1, 2025, is estimated to save taxpayers \$309.3 million in 2026–27.

**Cannabis Tax:** Provincial revenues from the additional duty imposed upon recreational and medical cannabis through the Coordinated Cannabis Taxation Agreement (CCTA) with the Government of Canada, is forecast to be \$23.3 million in 2026–27, an increase of \$4.2 million or 22.1 per cent from the 2025–26 Budget Estimates and an increase of \$1.4 million or 6.3 per cent from the 2025–26 forecast, in line with the expected volume of sales for the fiscal year..

**Vaping Product Tax:** The estimate for 2026–27 is \$14.6 million, up \$11.5 million or 372.1 per cent compared to 2025–26 Budget Estimates and up \$11.7 million or 408.5 per cent from the 2025–26 forecast. As of April 1, 2026, the vaping product tax will be harmonized with the federal government. Harmonization is expected to increase revenue by capturing additional sales, particularly those occurring online.

**Non-Resident Deed Transfer Tax:** The estimate for 2026–27 is \$24.6 million, down \$3.2 million or 11.5 per cent compared to the 2025–26 Budget Estimates and up \$5.8 million or 31.1 per cent from the 2025–26 forecast. The average value of tax realized per transaction is lower than was anticipated in Budget 2025–26.

**Motive Fuel Taxes:** Tax revenues are forecast to be \$297.7 million in 2026–27, an increase of \$13.3 million or 4.7 per cent compared to the 2025–26 Budget Estimates and up \$14.1 million or 5.0 per cent from the 2025–26 forecast. Gasoline consumption is forecast to increase by 70.0 million litres or 5.2 per cent, while the consumption of diesel is forecast to increase by 20.3 million litres or 4.3 per cent.

**Tobacco Tax:** Nova Scotia's 2026–27 estimate for tobacco tax revenue is \$73.9 million, down \$19.4 million or 20.8 per cent from the 2025–26 Budget Estimates and down \$15.0 million or 16.9 per cent compared to the 2025–26 forecast. Continuing a long-term trend of declining legal cigarette consumption, the number of legal cigarettes consumed is projected to decline from 265 million in 2025–26 to 224 million in 2026–27, a decrease of 15.3 per cent. Consumption of legal fine cut tobacco is forecast to decline sharply in 2026–27, down 30.3 per cent.

**Other Tax Revenue:** Other Tax Revenue includes items such as Financial Institutions Capital Tax, Levy on Private Sale of Used Vehicles, Tax on Insurance Premiums, and Gypsum Tax. The total for Other Tax Revenue is estimated to be \$271.2 million for 2026–27, up \$22.6 million or 9.1 per cent from the 2025–26 Budget Estimates and up \$18.0 million or 7.1 per cent from the 2025–26 forecast. The estimate-to-estimate increase is primarily due to a projected increase in the Financial Institutions Capital Tax revenue as the tax rate will increase 2 percentage points to 6 per cent as of November 1, 2026.

## Ordinary Revenue – Provincial Sources – Other Provincial Revenue

**Registry of Motor Vehicles:** Revenue generated by the Registry of Motor Vehicles is estimated to be \$163.3 million for 2026–27, up \$7.9 million or 5.1 per cent from the 2025–26 Budget Estimates and up \$4.1 million or 2.6 per cent from the 2025–26 forecast due in part to the new Electric and Hybrid Vehicle Levy.

**Other Provincial Sources:** Revenue from Other Provincial Sources is estimated to be \$170.3 million for 2026–27, down \$6.2 million or 3.5 per cent from the 2025–26 Budget Estimates and down \$19.2 million or 10.2 per cent from the 2025–26 forecast. This revenue source includes items such as pharmacare premiums, Nova Scotia Securities Commission fees, registration revenues for deeds, companies, and property, various other licenses and permits, and timber licenses. The decrease is primarily attributable to projected revenue from the Output Based Pricing System introduced in 2023.

**Tangible Capital Asset (TCA) Cost Shared Revenue – Provincial Sources:** TCA Cost Shared Revenue from provincial sources is estimated to be \$1.8 million for 2026–27, down \$8.5 million or 82.5 per cent from the 2025–26 Budget Estimates and down \$10.8 million or 85.7 per cent from the 2025–26 forecast.

**Other Fees and Charges:** Revenue generated from Other Fees and Charges is estimated to be \$65.7 million for 2026–27. This is \$2.8 million or 4.5 per cent higher than the 2025–26 Budget Estimates and down \$1.1 million or 1.7 per cent from the 2025–26 forecast. The increase for 2026–27 is primarily due to new revenue associated with the Provincial Nominee Program.

## Ordinary Revenue – Provincial Sources – Investment Income

**Interest Revenue:** Interest Revenue is estimated to be \$116.9 million for 2026–27, a decrease of \$71.4 million or 37.9 per cent from the 2025–26 Budget Estimates and a decrease of \$4.4 million or 3.6 per cent from the 2025–26 forecast. The decrease from the Budget Estimates is primarily due to decreased interest revenue through the Department of Growth and Development associated with the long-term care facilities accounting change, along with lower projected investment holdings. This decrease is partially offset by an increase in Farm Loan Board and Fisheries and Aquaculture Loan Board Interest revenue of \$2.1 million and \$2.9 million, respectively. The decrease from the forecast is primarily due to decreases in interest revenue from these Loan Boards, partially offset by an increase in interest revenue from the Department of Growth and Development.

**Sinking Fund Earnings:** Sinking Fund Earnings are projected to total \$32.1 million in 2026–27, an increase of \$5.0 million or 18.3 per cent from the 2025–26 Budget Estimates and an increase of \$4.6 million or 16.7 per cent from the 2025–26 forecast. The change is driven by a slight increase in the amount of Sinking Fund assets and higher projected interest rates.

## Ordinary Revenue – Federal Sources

**Equalization:** Nova Scotia's entitlement estimate for 2026–27 is \$3.5 billion, an increase of \$73.6 million or 2.1 per cent compared to the 2025–26 Budget Estimates, primarily as a result of growth in the program's national funding pool. Year over year growth is less than previous years due to lower provincial population growth relative to other provinces, combined with stronger fiscal capacity growth relative to the national average compared to 2025–26, and a lower top-up amount from the growth escalator.

The Equalization program is legislated to grow by the three-year average growth rate of national nominal Gross Domestic Product (GDP). For 2026–27 the growth rate is 3.79 per cent and the national funding pool for distribution is \$27.2 billion.

**The Canada Health Transfer (CHT):** As of 2014–15, the federal government provides CHT funding on an equal per capita cash basis for all provinces and territories. In 2017–18, the CHT was legislated to grow by the three-year average growth rate of national nominal GDP with a floor of 3.0 per cent. In 2024, Nova Scotia signed the Working Together to Improve Health Care for Canadians agreement with the federal government which includes a 5.0 per cent CHT growth guarantee to 2027–28. For 2026–27, the three-year average growth rate of national nominal GDP was estimated at 3.79 per cent, therefore the 5.0 per cent growth guarantee was applied.

For 2026–27, the national CHT amount for distribution is set at \$57.4 billion, and Nova Scotia's entitlement is estimated to be \$1.5 billion, an increase of \$97.4 million or 6.9 per cent from the 2025–26 Budget Estimates and \$72.1 million or 5.0 per cent from the 2025–26 forecast. The CHT entitlement reflects the federal government's estimate of the Province's share of the national population – currently 2.62 per cent. The federal government's healthcare funding through bilateral agreements with the Province is delivered outside the CHT and is reflected in Other Federal Sources revenue.

**The Canada Social Transfer (CST):** Nova Scotia's 2026–27 entitlement for CST is estimated to be \$470.9 million, an increase of \$21.9 million or 4.9 per cent from the 2025–26 Budget Estimates and \$13.8 million or 3.0 per cent from the 2025–26 forecast.

The CST entitlement is based on an equal per capita cash provincial allocation of a national pool. As of 2014–15, the national pool is legislated to grow by 3.0 per cent annually and stands at \$17.9 billion for 2026–27. The CST entitlement reflects the federal government's estimate of the Province's share of the national population, which is currently 2.62 per cent.

**Other Federal Sources:** Other Federal Sources is estimated to be \$167.4 million in 2026–27, an increase of \$3.8 million or 2.4 per cent from the 2025–26 Budget Estimates and a decrease of \$1.6 million or 0.9 per cent from the 2025–26 forecast.

Other Federal Sources include statutory subsidies from the federal government and other federal funding outside of the major federal transfers that is not TCA revenue. The year-over-year increase mainly results from anticipated funding under the National Strategy for Drugs for Rare Diseases program, with partially offsetting reductions under the Aging with Dignity program.

**Tangible Capital Asset (TCA) Cost Shared Revenue – Federal Sources:** The estimate for TCA Cost Shared Revenue from federal sources is \$89.8 million for 2026–27. This is an increase of \$61.0 million or 212.6 per cent compared to the 2025–26 Budget Estimates and an increase of \$52.1 million or 138.6 per cent from the 2025–26 forecast. The increase from estimate to estimate is mainly due to the anticipated revenue from the Health Infrastructure Fund.

## Ordinary Recoveries

Ordinary Recoveries are projected to total \$1,201.2 million in 2026–27, an increase of \$131.3 million or 12.3 per cent from the 2025–26 Budget Estimates and up \$34.8 million or 3.0 per cent from the 2025–26 forecast of \$1,166.5 million.

Provincial source recoveries are estimated to be \$606.4 million for 2026–27, up \$181.6 million or 42.7 per cent from the 2025–26 Budget Estimate and up \$59.2 million or 10.8 per cent from the 2025–26 forecast.

Federal source recoveries are estimated to be \$594.8 million for 2026–27, down \$50.3 million or 7.8 per cent from the 2025–26 Budget Estimates and down \$24.5 million or 4.0 per cent from the 2025–26 forecast.

## Government Business Enterprises – Net Income

***Nova Scotia Liquor Corporation (NSLC):*** The NSLC is budgeting net income of \$256.0 million in 2026–27. This is a decrease of \$8.0 million or 3.0 per cent compared to the 2025–26 Budget Estimates, and a decrease of \$10.4 million or 3.9 per cent compared to the 2025–26 forecast.

Total net sales are projected to increase 1.4 per cent compared to the 2025–26 Budget Estimates, which is attributed to cannabis sales increasing 13.3 per cent. Compared to the 2025–26 forecast, total net sales are projected to increase 0.3 per cent. Total expenses are up \$9.1 million or 5.2 per cent compared to the 2025–26 Budget Estimates and up \$8.6 million or 4.9 per cent compared to the 2025–26 forecast. Expense increases relative to the 2025–26 Budget Estimates are primarily related to wage increases, occupancy increases, and IT life cycle increases. Expense increases relative to the 2025–26 forecast are primarily related to planned upgrades to current core information technology platforms and cannot be capitalized, as well as budgeted wage increases and continued increases in depreciation with ongoing investment in the NSLC store network and other corporate initiatives.

***Nova Scotia Gaming Corporation (NSGC):*** NSGC is budgeting net income from its casino and lotteries segments of \$204.8 million for 2026–27. This is an increase of \$5.6 million or 2.8 per cent compared to the 2025–26 Budget Estimates and an increase of \$3.1 million or 1.5 per cent compared to the 2025–26 forecast. The increase in net income for 2026–27 compared to the 2025–26 Budget Estimates and forecast is primarily due to growth in iCasino and the launch of Live Casino.

**Highway 104 Western Alignment Corporation:** Highway 104 Western Alignment Corporation is budgeting net income for the 2026–27 fiscal year of \$1.7 million. This is a decrease of \$0.5 million or 23.2 per cent from the 2025–26 Budget Estimates and a decrease of \$1.1 million or 38.6 per cent from the 2025–26 Budget Forecast. Relative to the 2025–26 Budget Estimates, the Corporation expects additional costs related to the new rest areas that opened in May 2025.

## Key Tax Measures

### Personal Income Tax Indexation

For the 2025 and subsequent taxation years the Province has indexed the provincial personal income tax system. The indexation rate for 2025 was 3.1 per cent and for 2026 it is 1.6 per cent based on inflation. Both income tax brackets and certain non-refundable tax credits were indexed: basic personal amount, spouse or common-law partner amount, amount for an eligible dependant, age amount, and the amount for infirm dependants age 18 or older. For fiscal year 2026–27, indexation is estimated to save Nova Scotians by \$115.8 million.

### Extending enhancements to the Basic Personal Amount, Age Amount, Spousal Amount, and the Eligible Dependant Amount to all Nova Scotian tax filers

The Basic Personal Amount (BPA) is a non-refundable tax credit that can be claimed by all tax filers. The purpose of the credit is to provide full relief from provincial income tax to tax filers with taxable income below the BPA. It also provides partial relief to tax filers with taxable income above the BPA.

A tax filer cohabiting with their spouse or common law partner may claim a Spousal Amount equal to the BPA and is reduced based on their spouse's or common law partners net income. The purpose of this non-refundable credit is to provide tax relief to families with secondary incomes at or below the BPA.

The Eligible Dependant Amount is a non-refundable credit for individuals who do not have a spouse or common law partner and are caring for children who have not reached the age of 18 in the taxation year. The purpose of this credit is to reduce taxes for individuals without a secondary source of income supporting the household but are incurring expenses associated with raising children. The value of the Dependant Amount is equal to the BPA and is reduced based on the dependant's net income.

The Age Amount is a non-refundable credit provided to individuals over the age of 65 in the taxation year. The Age Amount available to a tax filer is reduced for net income above \$30,828 at a rate of \$0.15 per \$1 over the income threshold.

In 2018, the Province introduced an enhanced BPA, whereby those with a taxable income of less than \$25,000 would receive an additional \$3,000 in the BPA. For those earning between \$25,000 to \$75,000 the enhanced BPA was phased out at 6 cents for every additional dollar of taxable income over \$25,000. Tax filers earning over \$75,000 would receive only the basic BPA (set at \$8,744).

Effective for the 2025 taxation year and after, the maximum Basic Personal, Age, Spousal, and Eligible Dependant amounts are provided to all eligible tax filers, by removing the reduction provision for those with taxable income above \$25,000.

This extended eligibility is estimated to save Nova Scotians \$122.0 million in 2026–27.

### **Small Business Tax Rate Reduction and Threshold Increase**

Effective April 1, 2025, the small business tax rate was reduced from 2.5 per cent to 1.5 per cent and the small business threshold was increased from \$500,000 to \$700,000.

The small business corporate income tax rate is now applied to the first \$700,000 of active taxable income of Canadian Controlled Private Corporations (CCPCs) who have taxable capital of less than \$10 million. The benefit of the small business rate is phased out for CCPCs with taxable capital between \$10 million and \$50 million.

Currently, the small business threshold amount is the highest of the provinces and the federal government, and the small business tax rate is the 4th lowest compared to other provinces.

The reduction in the small business tax rate and the increase in the threshold is projected to save small businesses \$46.3 million in 2026–27.

### **Harmonized Sales Tax Reduction**

Effective April 1, 2025, the Province reduced the provincial portion of the Harmonized Sales Tax rate from 10 per cent to 9 per cent, resulting in the HST rate being lowered from 15 per cent to 14 per cent.

The one percentage point reduction in the provincial portion of the HST rate is estimated to save taxpayers \$309.3 million in 2026–27.

## Financial Institutions Capital Tax Increase

Since November 1, 2021, the Financial Institutions Capital Tax (FICT) has levied a 4 per cent tax on taxable capital applicable to banks, loans, and trust corporations having a permanent establishment in the Province. It does not apply to credit unions and life insurance corporations. The federally administered FICT replaced the former provincially administered Corporation Capital Tax. Effective for tax years starting on or after November 1, 2026, the FICT tax rate will increase 2 percentage points to 6 per cent. The increase is expected to raise \$15.6 million in 2026–27 and \$37.6 million in 2027–28 when fully implemented.

## Vaping Product Tax Harmonization

Effective April 1, 2026, a new provincial duty will be collected by the federal government through a Coordinated Vaping Product Taxation Agreement (CVPTA). The Provincial duty will be equal to the federal duty: \$1.12 per 2ml/gr of vaping substance for the first 10ml/gr of vaping substance in a device or container, and \$1.12 per 10ml/gr for any additional amount. The CVPTA leverages federal regulatory and collection capabilities to capture a larger pool of manufacturers and importers that are supplying the Nova Scotia market, including online sales. The provincial vaping product tax will end on March 31, 2026. By harmonizing Nova Scotia's Vaping Product Tax with the federal tax, provincial revenue is expected to increase by \$11.7 million.

## Capital Investment Tax Credit

Government will extend the sunset date for the tax credit to December 31, 2035, and authorize the credit for qualified property acquired after the sunset date provided the pre-approval application (Part A) was received prior to the sunset date and is approved by the Minister based on the prescribed criteria.

## Electric and Hybrid Vehicle Levy

To ensure owners of electric and hybrid vehicles contribute to road construction and maintenance costs in the Province, a new Electric and Hybrid Vehicle Levy will be implemented effective October 1, 2026, to be paid when a prescribed vehicle is registered and every two years thereafter when the vehicle registration is renewed.

Fully electric vehicle owners will pay \$500 every two years, and electric-hybrid vehicle owners will pay \$250 every two years. This levy is expected to raise \$1.6 million in 2026–27 and \$3.3 million in 2027–28 when fully implemented.

## Summary: Tax Credits, Rebates, and Tax Expenditures

Details of the estimated value of credits, rebates, and tax expenditures are presented in Table 5.6.

**Table 5.6 Estimated Value of Tax Credits, Rebates, and Expenditures**

(\$ thousands)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate
<b>Personal Income Tax</b>			
Political Tax Credit	1,364	1,364	1,416
Volunteer Firefighter & Ground Search and Rescue	3,769	3,578	3,684
Equity Tax Credit	2,384	1,548	1,548
Innovation Equity Tax Credit	2,744	2,609	2,609
Children's Sports and Arts Tax Credit	1,762	2,367	2,031
Fertility and Surrogacy Tax Credit	1,602	1,468	1,806
Affordable Living Tax Credit	61,937	58,073	58,073
Tax Refund for Seniors Receiving GIS	25,521	32,171	33,110
More Opportunity for Skilled Trades and Occupations	30,092	22,688	24,719
	<b>131,175</b>	<b>125,866</b>	<b>128,996</b>
<b>Corporate Income Tax</b>			
Scientific Research & Experimental Development	31,993	34,384	34,190
Digital Media Tax Credit	10,723	19,544	12,303
Digital Animation Tax Credit	5,572	8,121	11,429
Capital Investment Tax Credit	30,602	37,053	37,053
Innovation Equity Tax Credit	200	200	200
Small Business Tax Rate	338,513	315,540	333,587
	<b>417,603</b>	<b>414,843</b>	<b>428,761</b>
<b>Harmonized Sales Tax</b>			
Public Sector Rebates	220,797	257,167	254,273
Printed Book Rebate	8,964	9,531	9,727
First-time Homebuyers Rebate	522	718	727
Fire Fighting Equipment Rebate	116	103	105
Your Energy Rebate	125,717	134,116	134,116
Children's Clothing Rebate	9,211	7,654	7,811
Children's Footwear Rebate	1,755	1,378	1,406
Children's Diaper Rebate	1,894	2,401	2,451
Purpose-Built Rental Housing Rebate	54,079	58,690	95,110
	<b>423,054</b>	<b>471,758</b>	<b>505,726</b>

## Revenue Sensitivity

Revenue estimates, which are in the form of a forecast, are based on several economic, financial, tax assessment, and statistical assumptions. All of these reflect the Province's planned course of action for the forecast period and professional judgment as to the most probable set of economic conditions.

As these variables change and more information becomes available throughout the year, they may have an impact, either negative or positive, on the revenue forecasts. These impacts could be material. The Province intends to update the forecast periodically throughout the forecast period. The above referenced variables can move independently and may have offsetting effects.

Table 5.7 lists the specific key economic assumptions and variables that directly affect the calculation of provincial revenue estimate and forecast figures, as included in this Revenue Outlook section, and reflect economic assumptions developed by the Province as of January 21, 2026.

## Key Risks – Revenues

Provincial own-source revenues are strongly influenced by several key factors in the economic outlook. In addition, the revenue models use administrative data, external factors, and historical relationships between factors to arrive at forecast revenues. All factors are subject to change throughout the fiscal year and can contribute to significant variations in revenues. In addition, historical revisions to data by Statistics Canada often have revenue implications, and final personal and corporate income tax assessments for a taxation year are not received until approximately 15 months following the end of a taxation year, thereby creating Prior Year Adjustments (PYAs).

Official estimates for Harmonized Sales Tax revenue are received with a one-year lag from the end of the calendar year and are subject to revisions for a subsequent five-year period.

Canada Health and Social Transfers for 2026–27 remain subject to change based on population estimates until October 2027.

Economic disruptions from a volatile trade atmosphere in 2025 did not materialize into a worst-case scenario and the 2025–26 forecast of total revenue is in line with the 2025–26 Budget Estimates. Relative to recent years, expected slowing growth for population, national corporate taxable income, and consumer expenditures will result in slower tax base growth going forward.

Unexpected deviation from key economic projections generally results in similar revenue variations.

The forecast for PIT revenue is dependant on labour market conditions and income benefits. Inflation can impact indexed income benefit programs, average wages, and the indexation amount for taxable income brackets and credits. Personal taxable income continues to be supported by growing average wages and benefits amid slower employment growth projections.

Harmonized Sales Tax revenues are highly reliant on consumer expenditure and investment in residential construction. Affordability concerns and uncertainty may limit or delay expenditures on discretionary goods and services. The housing tax base and rebate for purpose-built rental housing are sensitive to interest rates, average build time, and the building-trades labour market.

The forecast of CIT revenue is dependant upon national corporate taxable income and the Province's share. National corporate taxable income growth slowed in 2025 and is expected to maintain below trend growth as trade policy uncertainty remains elevated. In 2024, Nova Scotia's share of national corporate taxable income rose to 1.46 per cent, the highest share since 2017, and could be supported going forward with an economy less trade exposed than other provinces.

**Table 5.7 Key Economic Assumptions and Variables Affecting Revenue Estimates**

<b>Revenue Source</b>	<b>Key Variables</b>
<b>Personal Income Tax</b>	<ul style="list-style-type: none"> <li>• personal taxable income levels</li> <li>• provincial taxable income yield</li> <li>• tax credits uptake</li> </ul>
<b>Corporate Income Tax</b>	<ul style="list-style-type: none"> <li>• national corporate taxable income levels as provided by Finance Canada</li> <li>• Nova Scotia's share of national taxable income</li> <li>• tax credits uptake</li> </ul>
<b>Harmonized Sales Tax</b>	<ul style="list-style-type: none"> <li>• personal consumer expenditure levels</li> <li>• provincial GDP</li> <li>• spending by exempt industries</li> <li>• rebate levels</li> <li>• residential housing investment</li> </ul>
<b>Cannabis and Vaping Taxes</b>	<ul style="list-style-type: none"> <li>• cannabis and vaping product consumption trends</li> <li>• cannabis and vaping product prices</li> <li>• labour income, affecting disposable income spent on cannabis and vaping products</li> </ul>
<b>Non-Resident Deed Transfer Tax</b>	<ul style="list-style-type: none"> <li>• number of non-resident property transactions</li> <li>• market value of residential properties sold to non-residents</li> </ul>
<b>Tobacco and Motive Fuel Taxes</b>	<ul style="list-style-type: none"> <li>• tobacco and fuel consumption trends</li> <li>• tobacco and fuel prices</li> <li>• labour income, affecting disposable income spent on fuel</li> </ul>
<b>Equalization</b>	<ul style="list-style-type: none"> <li>• one-estimate one-payment approach</li> </ul>
<b>Canada Health Transfer</b>	<ul style="list-style-type: none"> <li>• annual increases in the national base amount</li> </ul>
<b>Canada Social Transfer</b>	<ul style="list-style-type: none"> <li>• changes in share of national population</li> </ul>

## Additional Information

In addition to the key economic and fiscal assumptions contained in the 2026–27 revenue estimates, the following information should also be considered when interpreting the revenue estimates.

The revenue estimates for 2026–27 are considered to have been prepared on a basis consistent with accounting policies currently used by the Province to record and/or recognize revenue for purposes of its General Revenue Fund.

The Department of Finance and Treasury Board and other departments or agencies of the Province have prepared specific revenue estimates for 2026–27 using a combination of current internal and external models and other information available.

Every effort has been made to ensure the integrity of the results of the models and other information. As actual or more current information becomes available, adjustments may be necessary to the projection of revenues.

The revenue projected from federal transfer payment programs pursuant to the Federal-Provincial Fiscal Arrangements Act (Canada) incorporates official information released by the federal government as of December 9, 2025. In addition, transfer payment revenue estimates are based on Canadian national and provincial population estimates supplied by Statistics Canada.

PYAs are normally made to revenues from income taxes, harmonized sales tax , and federal transfers. All PYAs known to date have been included in the forecast.

## Budget 2026–27: Expenses Outlook

In 2026–27, Nova Scotia's total expenses for the General Revenue Fund are estimated to be \$18.9 billion (Table 5.8). This is an increase of \$1.4 billion or 7.8 per cent from the 2025–26 Budget Estimates and an increase of \$762.5 million or 4.2 per cent compared to the 2025–26 forecast.

Tables 5.8 and 5.9 provide financial statistics of provincial Total Expenses by dollar amount and as a percentage of total expenses. Chart 5.2 presents a visual breakdown of expenses by the main sources.

**Table 5.8 Total Expenses**

(\$ thousands)

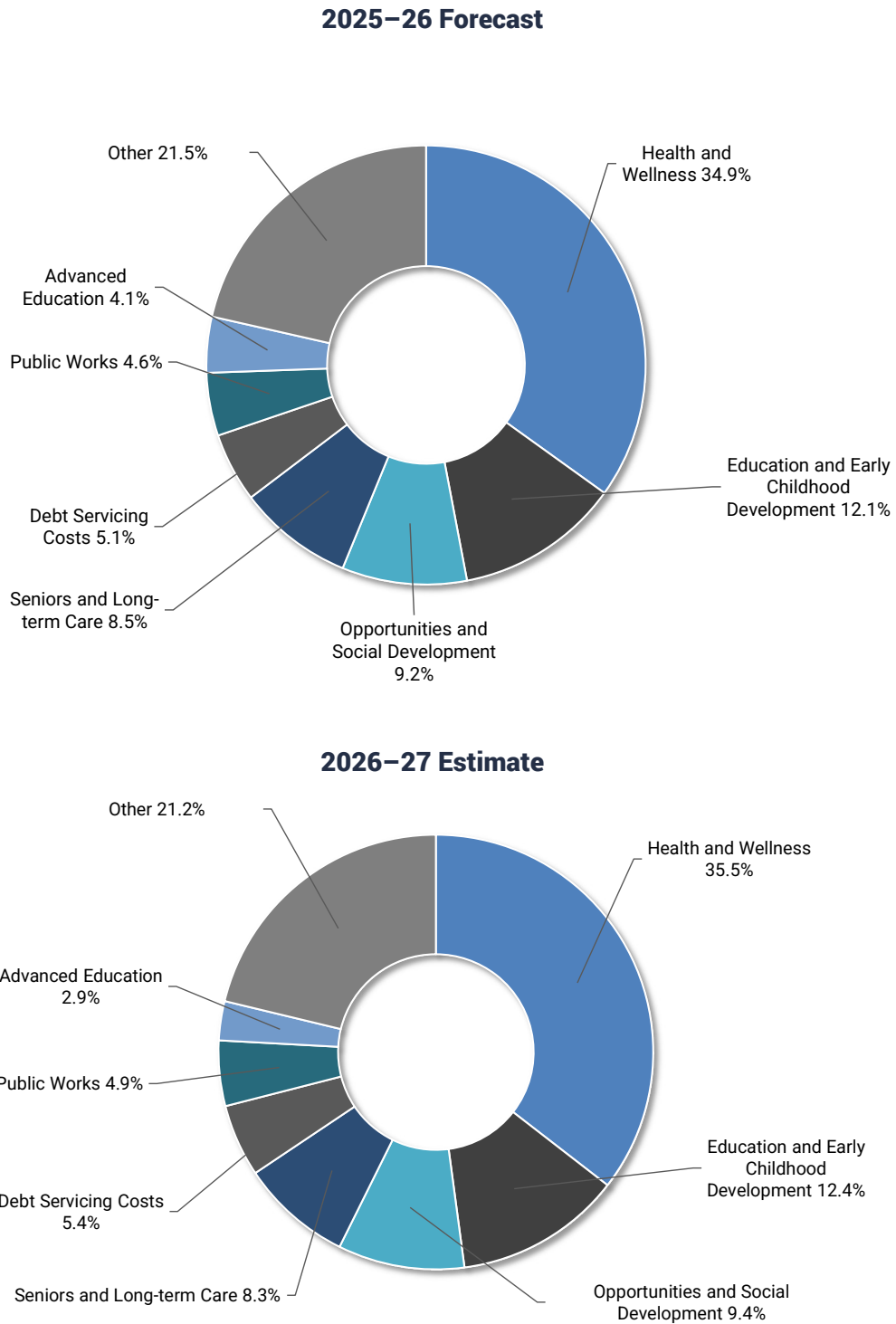
General Revenue Fund: Expenses	2023-24 Actual	2024-25 Actual	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate
<b>Departmental Expenses</b>					
Advanced Education	743,330	739,066	732,171	742,619	542,339
Agriculture	57,461	57,658	47,946	50,946	48,048
Communities, Culture, Tourism and Heritage	209,067	242,321	168,120	200,699	162,785
Cyber Security and Digital Solutions	230,565	246,549	283,921	288,357	322,727
Education and Early Childhood Development	1,884,298	1,998,073	2,225,951	2,201,128	2,341,678
Emergency Management	117,141	48,825	61,060	62,799	60,190
Energy	30,367	43,752	48,613	53,613	45,982
Environment and Climate Change	51,729	76,400	80,124	78,716	59,877
Finance and Treasury Board	33,716	228,257	48,406	47,687	48,173
Fisheries and Aquaculture	17,392	16,286	15,095	15,095	17,933
Growth and Development	621,266	416,365	400,214	404,216	457,047
Health and Wellness	5,178,565	5,778,476	5,976,833	6,337,636	6,714,896
Justice	450,670	485,014	489,245	504,308	536,436
Labour, Skills and Immigration	230,815	242,527	246,453	246,849	431,995
Municipal Affairs	341,816	314,508	337,882	275,505	290,004
Natural Resources	158,713	112,777	112,138	177,065	131,455
Opportunities and Social Development	1,389,659	1,613,917	1,676,809	1,672,654	1,784,748
Public Service	459,646	517,070	525,274	536,002	579,386
Public Works	717,423	790,161	840,141	842,469	921,085
Seniors and Long-term Care	1,391,239	1,411,236	1,462,480	1,540,847	1,573,127
Service Nova Scotia	220,475	220,613	164,805	174,693	172,758
Restructuring Costs	184,829	661,763	551,472	651,397	527,721
<b>Total - Departmental Expenses</b>	<b>14,720,182</b>	<b>16,261,614</b>	<b>16,495,153</b>	<b>17,105,300</b>	<b>17,770,390</b>
<b>Other Expenses</b>					
Refundable Tax Credits	125,224	155,908	147,960	164,588	160,569
Pension Valuation Adjustment	51,467	(16,151)	17,079	(20,042)	(28,914)
Debt Servicing Costs	782,520	876,312	908,509	919,822	1,030,107
<b>Total - Expenses</b>	<b>15,679,393</b>	<b>17,277,683</b>	<b>17,568,701</b>	<b>18,169,668</b>	<b>18,932,152</b>

**Table 5.9 Total Expenses**

(percentage of Total Expenses)

<b>General Revenue Fund: Expenses</b>	<b>2023-24 Actual</b>	<b>2024-25 Actual</b>	<b>2025-26 Estimate</b>	<b>2025-26 Forecast</b>	<b>2026-27 Estimate</b>
<b>Departmental Expenses</b>					
Advanced Education	4.7%	4.3%	4.2%	4.1%	2.9%
Agriculture	0.4%	0.3%	0.3%	0.3%	0.3%
Communities, Culture, Tourism and Heritage	1.3%	1.4%	1.0%	1.1%	0.9%
Cyber Security and Digital Solutions	1.5%	1.4%	1.6%	1.6%	1.7%
Education and Early Childhood Development	12.0%	11.6%	12.7%	12.1%	12.4%
Emergency Management	0.7%	0.3%	0.3%	0.3%	0.3%
Energy	0.2%	0.3%	0.3%	0.3%	0.2%
Environment and Climate Change	0.3%	0.4%	0.5%	0.4%	0.3%
Finance and Treasury Board	0.2%	1.3%	0.3%	0.3%	0.3%
Fisheries and Aquaculture	0.1%	0.1%	0.1%	0.1%	0.1%
Growth and Development	4.0%	2.4%	2.3%	2.2%	2.4%
Health and Wellness	33.0%	33.4%	34.0%	34.9%	35.5%
Justice	2.9%	2.8%	2.8%	2.8%	2.8%
Labour, Skills and Immigration	1.5%	1.4%	1.4%	1.4%	2.3%
Municipal Affairs	2.2%	1.8%	1.9%	1.5%	1.5%
Natural Resources	1.0%	0.7%	0.6%	1.0%	0.7%
Opportunities and Social Development	8.9%	9.3%	9.5%	9.2%	9.4%
Public Service	2.9%	3.0%	3.0%	2.9%	3.1%
Public Works	4.6%	4.6%	4.8%	4.6%	4.9%
Seniors and Long-term Care	8.9%	8.2%	8.3%	8.5%	8.3%
Service Nova Scotia	1.4%	1.3%	0.9%	1.0%	0.9%
Restructuring Costs	1.2%	3.8%	3.1%	3.6%	2.8%
<b>Total - Departmental Expenses</b>	<b>93.9%</b>	<b>94.1%</b>	<b>93.9%</b>	<b>94.1%</b>	<b>93.9%</b>
<b>Other Expenses</b>					
Refundable Tax Credits	0.8%	0.9%	0.8%	0.9%	0.8%
Pension Valuation Adjustment	0.3%	-0.1%	0.1%	-0.1%	-0.2%
Debt Servicing Costs	5.0%	5.1%	5.2%	5.1%	5.4%
<b>Total - Expenses</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Chart 5.2 Total Expenses 2025–26 Forecast and 2026–27 Estimate**



Note: Numbers may not add up to totals due to rounding.

## Departmental Expenses

Departmental Expenses in 2026–27 are estimated to be \$17.8 billion. This is an increase of \$1.3 billion or 7.7 per cent from the 2025–26 Budget Estimates and an increase of \$665.1 million or 3.9 per cent from the 2025–26 forecast. Details of Departmental Expenses are provided in the Budget 2025–26 Estimates and Supplementary Details document.

## Refundable Tax Credits

Refundable Tax Credits are estimated to be \$160.6 million in 2026–27, an increase of \$12.6 million or 8.5 per cent from the 2025–26 Budget Estimates, and down \$4.0 million from the 2025–26 forecast. The increase from Estimates is primarily based on increased expectations for the Capital Investment, Digital Animation, Digital Media, and Scientific Research and Development (SRED) tax credits, partially offset by a lower estimate for the Affordable Living Tax Credit.

## Pension Valuation Adjustment

The Pension Valuation Adjustment is estimated to be (\$28.9) million in 2026–27, down \$41.0 million or 240.0 per cent from the 2025–26 Budget Estimates, and down \$3.9 million or 19.3 per cent compared to the 2025–26 forecast. The decrease from estimate-to-estimate is primarily due to changes in discount rates and updated actuarial assumptions, mainly in retirement health benefit plans. The decrease from forecast to budget is primarily due to updated actuarial assumptions.

## Debt Servicing Costs

Debt Servicing Costs are projected to be \$1,030.1 million for 2026–27, up \$121.6 million or 13.4 per cent from the 2025–26 Budget Estimates and up \$110.3 million or 12.0 per cent from the 2025–26 forecast.

Debt Servicing Costs have increased from the 2025–26 Budget Estimates primarily because of increased borrowing requirements, an increase in the amount of long-term debt and higher projected interest rates.

## Consolidation and Accounting Adjustments

Overall, Consolidation and Accounting Adjustments are estimated to result in a \$386.9 million positive impact on the provincial financial position. This is a \$21.4 million increase over the 2025–26 Budget Estimates primarily due to a \$34.2 million increase in capital grants to Halifax Harbour Bridges partially offset by a \$15.6 million decrease in capital grants to NSH/IWK related to healthcare infrastructure projects net of healthcare capital revenues.

## Key Risks – Expenses

Rapid changes in US trade policy are causing instability in global commodity markets and supply chains, which may influence the costs of government purchases. Further, there has been strong wage growth in recent months that could also affect department costs through procurements. Department spending plans may see further variances throughout fiscal 2026–27, if price instability drives utility expenditures, fleet costs and purchases of general goods and services.

Capital projects may also see cost variances if commodity prices and labour shortages influence procurement. If capital project delays emerge, planned expenses may move into future fiscal years.

If changing climate dynamics increase the frequency or intensity of weather events, government may see additional risk to expenses – for support payments and infrastructure repairs.

## 6. Economic Outlook

The Province relies on economic forecasts and statistical relationships with historical administrative data to estimate tax revenues, prior to receiving information on actual tax revenues collected. The economic assumptions used in this forward-looking outlook are presented here.

This outlook is based on data and external events up to January 21, 2026. The outlook is subject to change based on external information published after January 21, 2026. Some of the descriptive analysis below refers to data and events that occurred after January 21, 2026.

There remains uncertainty around the timing and extent of US tariff policy changes. This outlook includes the removal of Chinese tariffs on seafood, commencing March 1, 2026. New information will be incorporated into future economic forecasts.

### International and Canadian Economic Context

**Global Economy:** The International Monetary Fund (IMF) World Economic Outlook report from January 2026 estimates that global real Gross Domestic Product (GDP) grew at 3.3 per cent in 2025. Growth is projected to continue at 3.3 per cent in 2026 before slowing slightly to 3.2 per cent in 2027. Growth in 2025 reflected the balance of offsetting forces: downsides from shifting trade policies, offset by surging investment in Artificial Intelligence (AI) infrastructure as well as fiscal and monetary policy supports. The IMF expects that global inflation will slow from 4.1 per cent in 2025 to 3.8 per cent in 2026 and 3.4 per cent in 2027.

**United States (US):** US real GDP reported an unexpectedly strong third quarter (4.4 per cent seasonally adjusted annualized rate). This was driven by increases in exports while imports declined, along with rising non-residential investment, state government and defence spending, and personal consumption expenditures.

The US economic outlook remains strong due to supportive fiscal policy, lower interest rates, and the normalization of trade barriers. In its January 2026 meeting, the US Federal Reserve maintained its interest rate in a range of 3.50 to 3.75 per cent. US inflation slowed to 2.4 per cent year-over-year in January 2026. The Federal Reserve expects inflation to be 2.4 per cent in 2026 and 2.1 per cent in 2027. The Nova Scotia Budget economic outlook assumes that U.S. real GDP will grow at 2.1 per cent in 2026 and 2.0 per cent in 2027.

**Europe:** Europe's real GDP growth is expected to remain subdued in 2026 and 2027 as structural economic headwinds are partially offset by rising government spending. Increased defence spending is only expected to lift the economic outlook over the medium term. Lingering effects of persistently high energy prices continue to drag on manufacturing, exacerbated by an appreciation of the euro relative to countries exporting similar products. Further, the Euro Area has benefitted less from recent AI investments. The IMF expects 1.4 per cent real GDP growth in the Euro Area in 2025, decelerating to 1.3 per cent in 2026.

**China:** China's economic growth is expected to remain strong in 2025 at 5.0 per cent due to fiscal stimulus measures and increased bank lending for investment. China's economic growth is expected to slow to 4.5 per cent in 2026, due to US tariffs. China's growth is expected to slow in 2027 as structural headwinds reassert themselves. Inflation in China is expected to begin rising in 2026.

**Canada:** Canada's real GDP growth was strong in the third quarter of 2025 (2.6 per cent, seasonally adjusted annualized rate). Rising residential and government investments along with falling imports were partially offset by lower consumption spending and declining non-residential investment. Canada's inflation rate was 2.3 per cent in January due to base-year effects from last winter's temporary GST/HST relief. The Bank of Canada forecasts inflation to average 2.1 per cent in 2026. Because of easing inflation and soft economic growth, the Bank of Canada has reduced its target for the overnight rate by 275 basis points since June 2024.

Canada's real GDP growth is expected to be weaker in the fourth quarter of 2025 on lower inventory investment. Exports are expected to rise on higher gold shipments. Domestic demand is expected to be strong while business investment remains weak. Canada's economic activity was impaired by US tariffs, trade uncertainty, and slower population growth. In the first half of 2026, consumer spending is expected to rise only modestly as slower population growth offsets the stimulus from lower interest rates and higher equity prices. Canada's residential construction is expected to grow moderately in 2026 due to pent-up demand for housing. Improvements in housing supply along with slower population growth are expected to ease housing market imbalances. Trade policy uncertainty will continue to weigh on Canadian business investment plans and inventory accumulation. Canada's export growth is expected to be limited as businesses adapt to the new trade policy environment. Canada's real GDP is projected to grow 1.4 per cent in 2026 and 1.9 per cent in 2027.

## External Economic Assumptions

Table 6.1 presents the key external economic assumptions used for Nova Scotia's economic forecast.

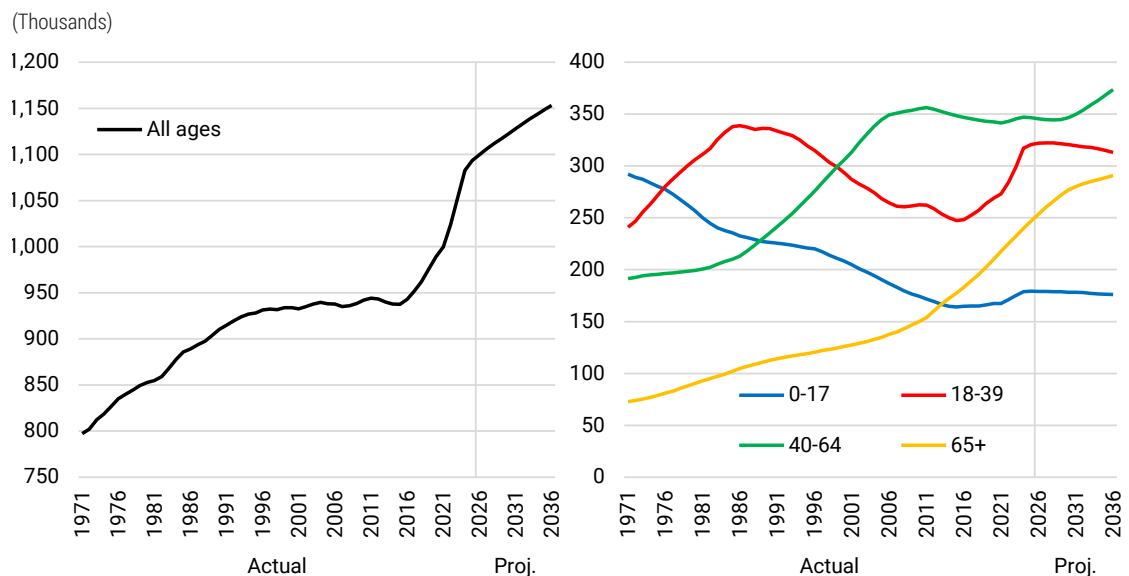
**Table 6.1 External Economic Assumptions for Nova Scotia Budget Forecast**

As of January 21, 2026	2026	2027
US Real GDP (% change, 2017 chained)	2.1	2.0
Canada Real GDP (% change, 2017 chained)	1.4	1.9
Canada Nominal GDP (% change, current prices)	3.3	4.1
USD/CAD exchange rate (US¢ per CAD)	73.3	75.4
Canadian Prime Lending Rate (%)	4.4	4.7
5 Year Conventional Mortgage Rate (%)	6.4	6.6

## Nova Scotia Economic Context

**Population and Demography:** Nova Scotia's population growth slowed in 2025 to 1.0 per cent from July 1, 2024, to July 1, 2025 (+10,476 persons). Nova Scotia's population experienced record-setting growth during 2022–2024 (5.7 per cent over 2 years). However, population growth slowed in 2025 due to lower federal immigration targets.

**Chart 6.1 Nova Scotia's Population Growth Is Slowing**



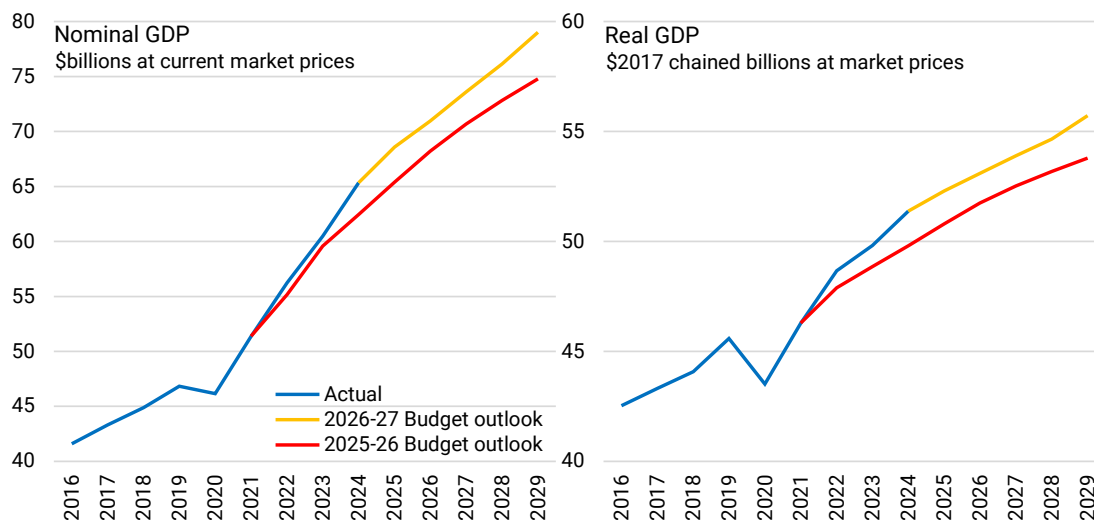
Source: Statistics Canada. Table 17-10-0005-01 Population estimates on July 1st, by age and sex; and Nova Scotia Department of Finance and Treasury Board projections.

Immigration continues to be the main source of population growth for Nova Scotia with 10,984 new permanent residents added to the population in the year leading up to July 1, 2025. The inflow of non-permanent residents of 15,658, was almost fully offset by an outflow of 14,817 as the net contribution from non-permanent residents slowed to 841. Interprovincial migration to Nova Scotia slowed but continues to contribute to population growth. From July 1, 2024, to July 1, 2025, 16,747 Canadians moved to Nova Scotia from other provinces. On a net basis, interprovincial migration added 3,226 persons to the population for the year prior to July 1, 2025. Population growth from natural changes (births less deaths) continues to be negative. The population contracted to 1,091,857 people as of October 1, 2025.

Revised projections anticipate that Nova Scotia’s population growth will slow to 0.6 per cent in 2026 and to 0.5 per cent per year from 2027 to the mid-2030s (Chart 6.1), as internal migration and non-permanent resident entries are assumed to moderate over the next decade while immigration recovers slowly. Near-term projections have been revised to include lower permanent and non-permanent resident entries that reflect revisions to the Government of Canada’s Immigration Levels Plan (2026–2028).

**Economic Growth:** Revised data from Statistics Canada shows that Nova Scotia’s nominal GDP growth was stronger than previously estimated in 2022 (+9.4 per cent) and slower in 2023 (+7.6 per cent). Data revisions to growth have put Nova Scotia’s nominal and real GDP at higher levels than previously estimated (Chart 6.2), lifting the base for the entire economic outlook. Nominal GDP is now projected to be \$2.9 billion higher by 2027 than was estimated in the 2025–26 Budget economic outlook.

**Chart 6.2 Nova Scotia’s GDP Levels Revised Up by Statistics Canada**

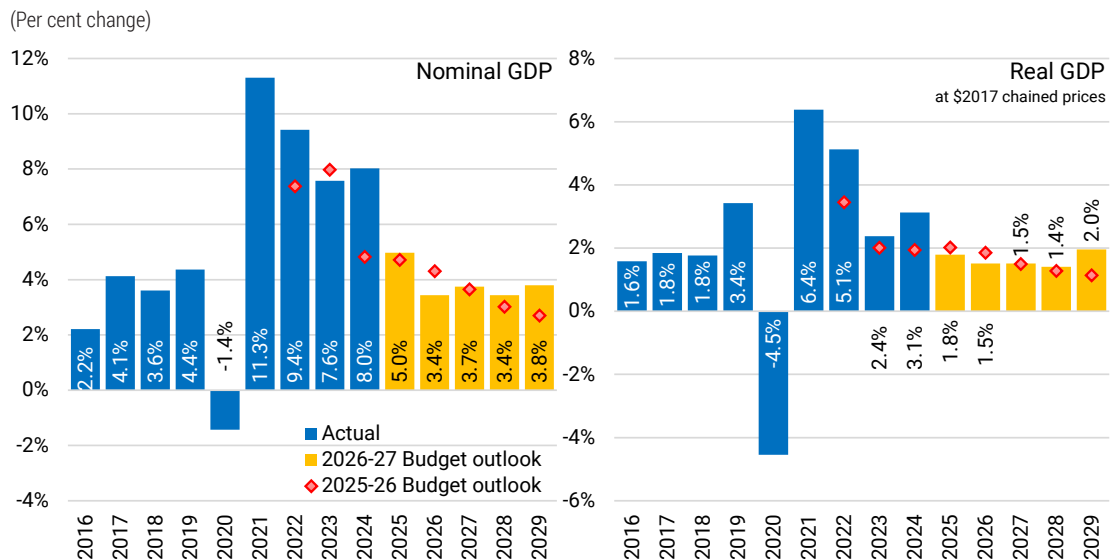


Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Nova Scotia's real GDP grew 3.1 per cent in 2024 while nominal GDP led all provinces with an 8.0 per cent increase. Nominal growth in 2024 was driven by a large rise (+4.8 per cent) in the GDP deflator, a broader measure of prices than the consumer price index. There were notable contributions from residential and government investment. Exports of goods to other countries rebounded while service exports continued to grow. Population growth supported consumer spending.

Real GDP growth is estimated to have slowed to 1.8 per cent in 2025 (nominal: 5.0 per cent). Exports to China fell and non-residential investment moderated. Household consumption, business investment, government spending and exports all contributed to growth in 2025. Investment in residential structures grew with an estimated 7.8 per cent gain. Rising imports were a drag on growth as tariffs raised prices domestically and abroad. Inflation remained in the Bank of Canada's target range.

**Chart 6.3 Nova Scotia's GDP Growth Stabilizing**



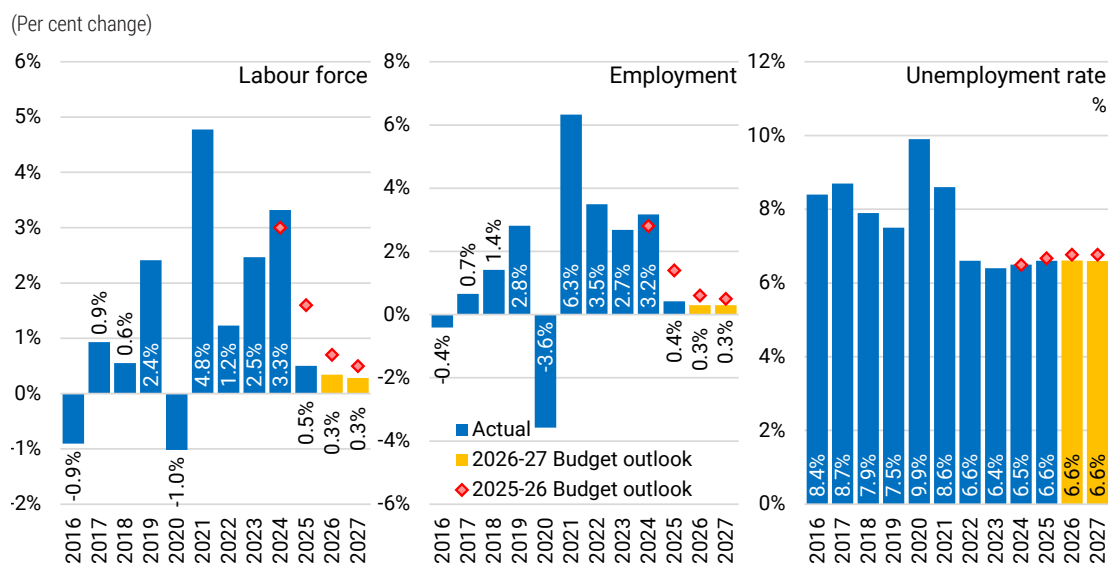
Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

In 2026, Nova Scotia's real GDP growth is projected to slow to 1.5 per cent while nominal GDP is projected to rise 3.4 per cent (Chart 6.3). Nova Scotia's economic growth is expected to get support from household consumption spending, government capital investments, and rebounding exports with the removal of Chinese tariffs on seafood. Residential investment is projected to continue growing in 2026, which should continue to ease housing pressures. Inflation is expected to remain at 2.0 per cent as lower energy prices offset upward pressure from shelter costs.

In 2027, Nova Scotia’s real GDP is projected to rise 1.5 per cent. Nominal GDP growth is projected to pick up to 3.7 per cent in 2027. This outlook assumes that Nova Scotia’s exports to the US continue to benefit from the Canada-US-Mexico Agreement (CUSMA) compliance and that Chinese tariffs on seafood remain suspended.

**Labour Market:** Slower population growth has led to slower growth in Nova Scotia’s labour market (Chart 6.4). In 2025, labour force growth slowed to 0.5 per cent with 0.4 per cent employment growth. The unemployment rate rose slightly to 6.6 per cent in 2025, remaining near historically low levels. Employment growth lagged growth in the working-age population, causing the employment rate to decline to 57.3 per cent. Nova Scotia’s labour market participation rate declined to 61.3 per cent in 2025 with lower participation for those aged 15-19 and 60 years and over.

**Chart 6.4 Nova Scotia’s Labour Markets Slow with Lower Population Growth**



Source: Statistics Canada, Table 14-10-0327-01 Labour force characteristics by gender and detailed age group, annual; Nova Scotia Department of Finance and Treasury Board projections

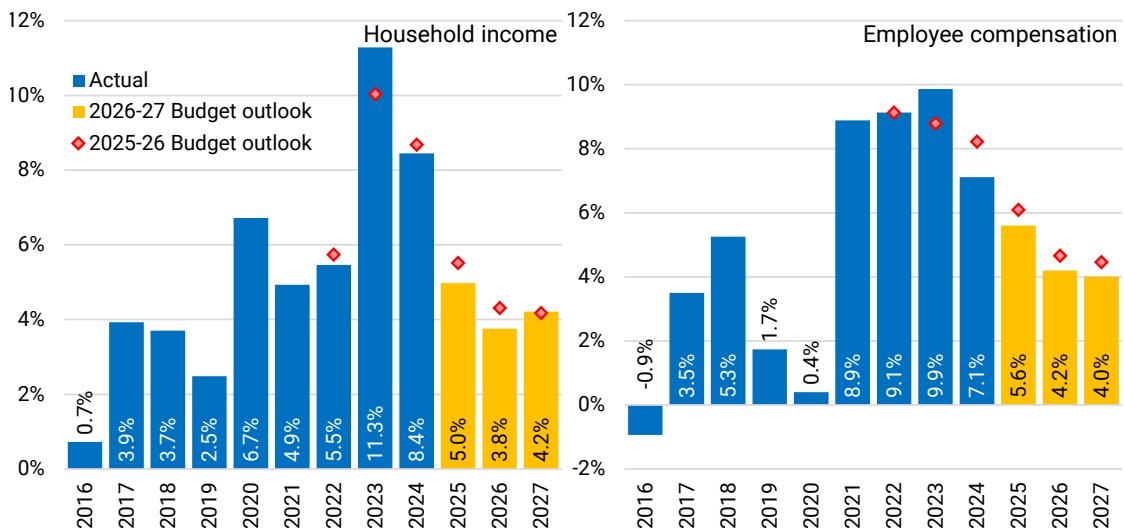
Employment growth was concentrated in service-producing industries, with smaller growth for goods-producing industries. The strongest gains were in health care and social assistance, as well as in transportation and warehousing, construction, and business support services (including call centres). These gains more than offset employment declines in accommodation and food services, education, personal and repair services, and manufacturing. The job vacancy rate rose through 2025 and reached 3.4 per cent in the third quarter of the year, though signs of slackening labour markets are emerging in monthly job vacancy reports.

As population growth slows, Nova Scotia's labour force is projected to grow 0.3 per cent in 2026 and 2027. Employment growth is projected to be similar at 0.3 per cent in 2026 and 2027. The unemployment rate is projected to remain stable at 6.6 per cent.

**Household Income:** Compensation of employees is estimated to have increased 5.6 per cent in 2025 (Chart 6.5). Payroll employment across all businesses and organizations increased 1.2 per cent in the first eleven months of the year. Average weekly wages increased 3.9 per cent over the same period, well outpacing inflation. After adding net income from unincorporated businesses, property income and current transfers to employee compensation, Nova Scotia's household income is estimated to have increased 5.0 per cent in 2025

**Chart 6.5 Slower Household Income and Employee Compensation Growth**

(Per cent change)



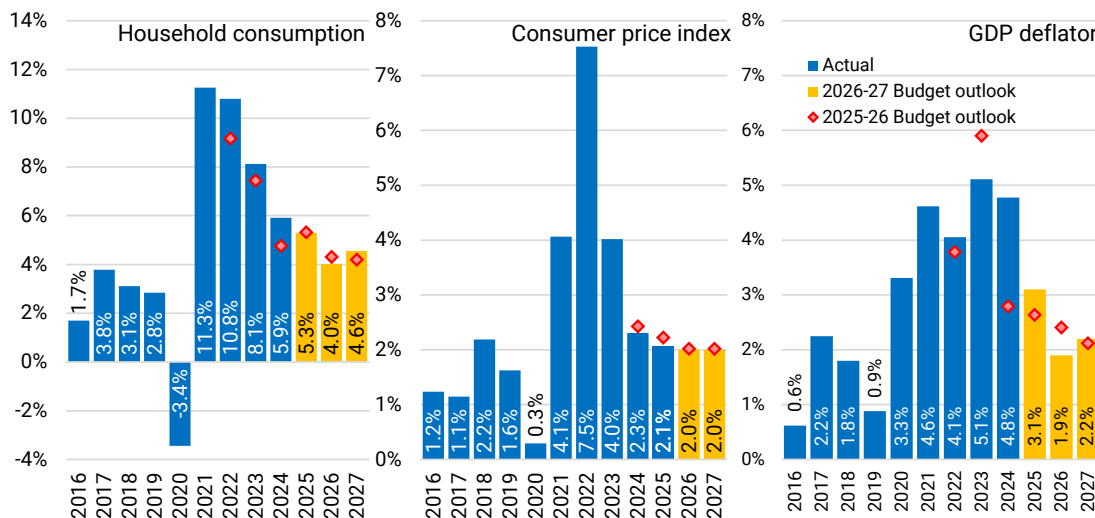
Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Table 36-10-0226-01 Household sector, selected indicators, provincial and territorial; Nova Scotia Department of Finance and Treasury Board projections.

Employee compensation is projected to increase 4.2 per cent in 2026 and 4.0 per cent in 2027, as both employment and average wages grow more slowly. Household income is expected to grow 3.8 per cent in 2026 and 4.2 per cent in 2027. The outlook for employee compensation and household income assumes that government tax relief continues to lift incomes through higher spending on local consumption. The economic outlook is sensitive to this assumption and the effects of these measures could be felt in parts of the economy other than households.

**Household Consumption:** Household consumption growth is estimated to have slowed to 5.3 per cent in 2025 (Chart 6.6). Spending accelerated for goods and slowed for services. Retail trade increased 3.3 per cent in 2025 with growth in most goods categories, led by clothing and accessories, motor vehicle dealers, and miscellaneous retail stores. New motor vehicle units sold were up 12.2 per cent in 2025 with the sales value of new motor vehicles up 11.2 per cent. Nova Scotia’s food service and drinking places receipts rose 7.4 per cent in January-November 2025. Household consumption spending is projected to grow 4.0 per cent in 2026 and 4.6 per cent in 2027, picking up as global prospects improve.

**Chart 6.6 Consumption Slowing While Prices Return to Trend Growth Rates**

(Per cent change)

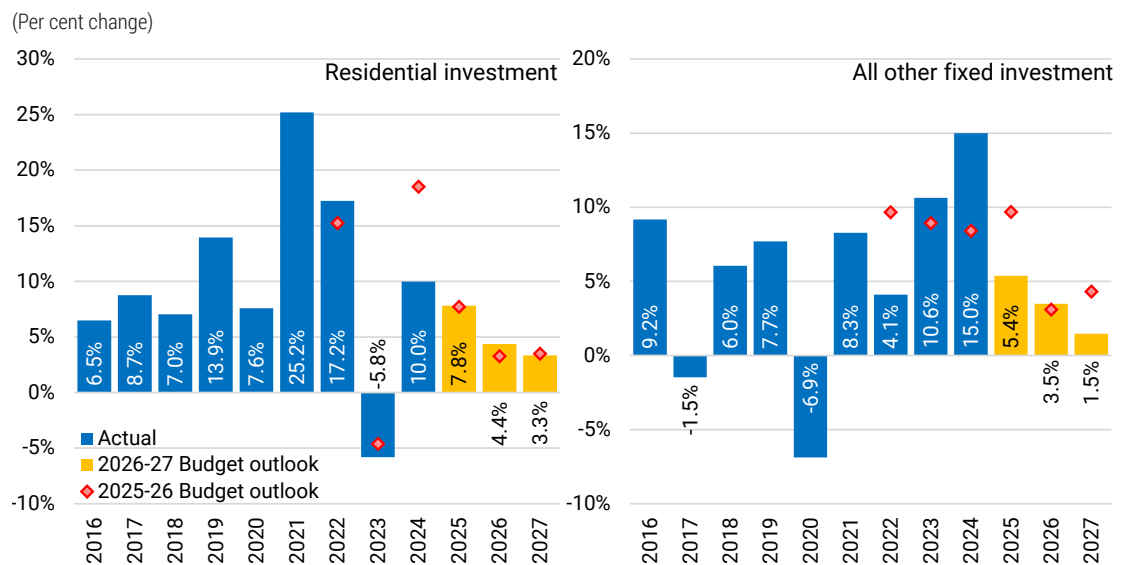


Sources: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Table 18-10-0005-01 Consumer Price Index, annual average, not seasonally adjusted; Nova Scotia Department of Finance and Treasury Board projections.

**Inflation:** Throughout 2025, inflation rose as underlying pressures intensified. Excluding food and energy, Nova Scotia’s prices increased 2.9 per cent in 2025. Food prices rose 2.7 per cent while energy prices were down 5.3 per cent. Shelter prices rose 4.5 per cent with upward pressure from rent, homeowner’s replacement costs, and mortgage interest costs. Nova Scotia’s consumer price index is projected to increase by 2.0 per cent in 2026 and 2027. Nova Scotia’s broad prices – measured by the GDP deflator – rose 4.8 per cent in 2024. Broad prices are projected to decelerate in line with slowing consumer price inflation through 2027. However, the outlook for consumer prices and broad prices is sensitive to global commodity prices and tariff policies.

**Investment:** Residential investment continued to grow in 2025, rising an estimated 7.8 per cent in 2025 (Chart 6.7). Nova Scotia’s housing starts reached 9,760 units in 2025, a 32.2 per cent increase over 2024 and the highest number of starts in a data series that began in 1948. Rising housing starts were due mainly to multiple unit dwellings, which reached their highest level since the data series began in 1955. Resale home prices grew 4.2 per cent in Halifax in 2025. New home prices across the province were up 4.6 per cent. Residential investment is projected to continue growing, albeit at a slower pace – rising by 4.4 per cent in 2026 and 3.3 per cent in 2027.

**Chart 6.7 Investment Reaching a Plateau**



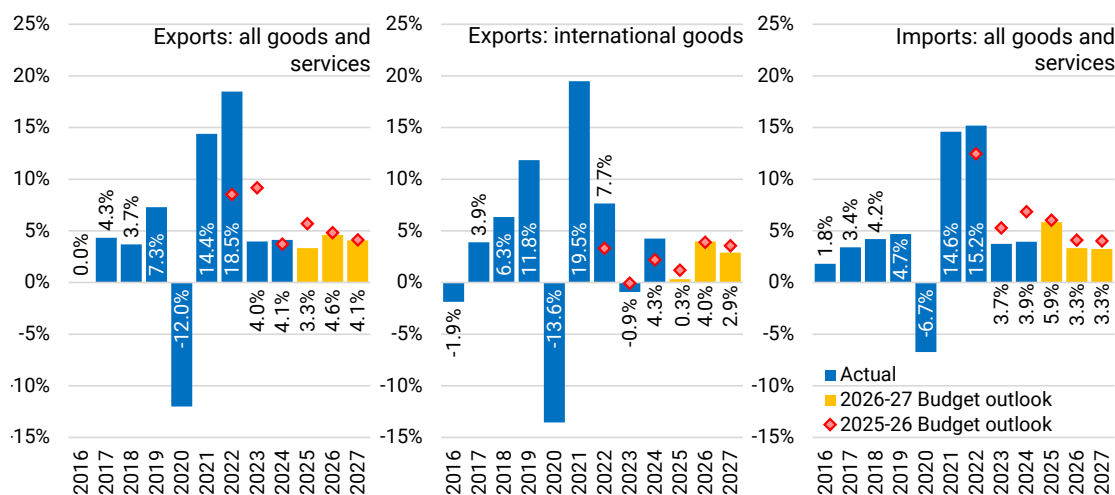
Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections

Non-residential investment is estimated to have grown 5.4 per cent in 2025. Non-residential spending is expected to slow to 3.5 per cent in 2026 as government investment slows. Further slowing to 1.5 per cent is expected in 2027 as some major projects conclude.

**Exports and Imports:** Nova Scotia’s international exports contracted 0.4 per cent in 2025. Tires, frozen fruit, lumber, fertilizer, chemicals and navigational instruments increased while seafood, plastics, and paper exports led declines. Seafood exports were down 6.6 per cent primarily on lower exports of lobster and scallops, partially offset by higher exports of crab. Exports were down to the US (-0.3 per cent) and China (-26.5 per cent) while exports to the European Union were up (+15.3 per cent).

**Chart 6.8 Exports Slow for International Goods Under Tariff Threat**

(Per cent change)



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections.

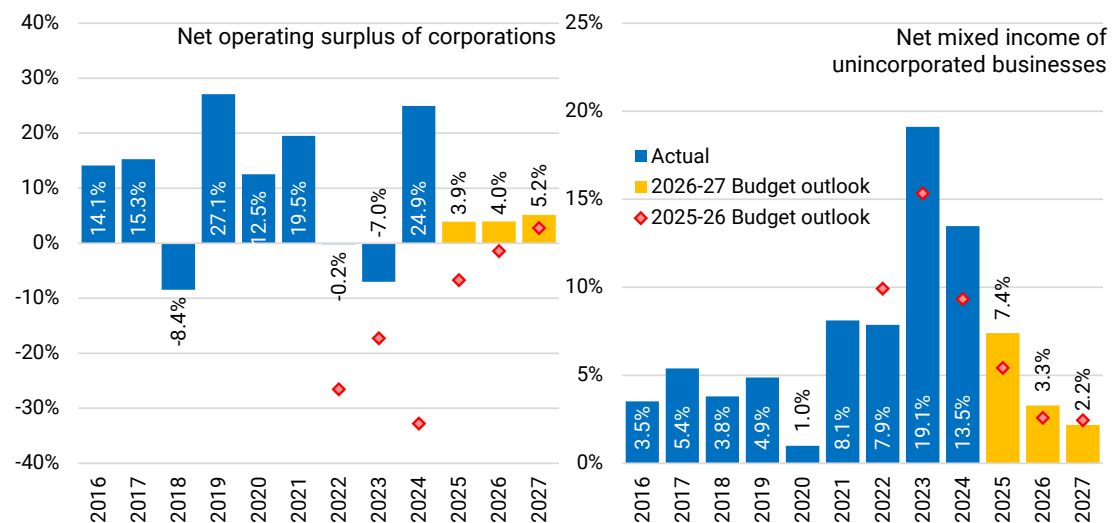
Tourism activity stalled in 2025 as visitation was weak through the first half of the year. Tourism Nova Scotia estimated that January to September tourism in 2025 was 1 per cent above the same period in 2024. Visitors from overseas (+4 per cent from January-September 2024), as well as Quebec (+25 per cent), offset declines in visitors from the United States (-7 per cent) and Ontario (-8 per cent). Tourism growth is expected to remain weak in 2026 with uncertainty from the United States clouding the outlook. Tourism is expected to recover to pre-pandemic levels by 2027 for those arriving by air and by 2028 for road visitors.

Goods exports are projected to recover in 2026 (Chart 6.8) with the agreement to temporarily remove Chinese tariffs on Canadian seafood. To date, the vast majority of Nova Scotia’s exports remain CUSMA-compliant and enter the United States without tariffs. However, significant uncertainty remains around future US tariff policies. Services exports are projected to continue growing with recovery in tourism. Imports are projected to continue growing in line with population growth and consumer spending, slowing through the forecast period.

**Business Income:** Following large upward historical revisions, net operating surplus of corporations is estimated to have grown 3.9 per cent in 2025 (Chart 6.9), slowing as export growth is limited. This pressure is expected to ease in 2026 and 2027 as global prospects improve.

**Chart 6.9 Steady Growth In Net Corporate Operating Surplus**

(Per cent change)



Source: Statistics Canada, Table 36-10-0221-01 Gross domestic product, income-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board projections.

Net mixed income of unincorporated businesses reported strong growth in each of the last four years. This trend is estimated to have continued in 2025 (+7.4 per cent). Unincorporated business income is expected to slow to 3.3 per cent in 2026 and to 2.2 per cent in 2027.

**GDP by industry:** In 2025, robust population growth and housing demand fueled the construction and real estate sectors (Table 6.2). However, both are expected to cool in 2026 and 2027 as migration slows. The mining sector is currently in a transition period, with gold operations winding down and the Little Narrows gypsum mine not expected to resume until late 2026, followed by NexGold's anticipated startup in 2028. Manufacturing, wholesale trade, and retail trade are all poised for gradual recovery as new trade agreements take effect. Similarly, after a period of rapid expansion to meet the needs of a larger population, growth in education, healthcare, and social assistance is expected to moderate. The slow recovery in tourism is expected to temper growth for the hospitality and recreation sectors through 2026.

**Table 6.2 Nova Scotia Real GDP Outlook by Industry**

(Per cent change in real GDP at basic prices)

	<b>GDP Share 2024</b>	<b>Actual 2024</b>	<b>Estimated 2025</b>	<b>Forecast 2026</b>	<b>Forecast 2027</b>
All industries	100.0%	3.0%	1.8%	1.5%	1.5%
Agriculture, forestry, fishing	2.0%	-3.0%	-3.9%	3.7%	0.9%
Mining, oil, gas	0.4%	-29.3%	3.1%	5.3%	6.2%
Utilities	1.8%	3.8%	3.0%	2.6%	2.5%
Construction	7.0%	8.6%	6.6%	4.0%	0.9%
Manufacturing	6.9%	6.2%	1.5%	1.8%	1.9%
Wholesale trade	3.0%	3.5%	1.2%	0.8%	1.6%
Retail trade	6.4%	1.3%	1.0%	0.5%	1.1%
Transportation	3.4%	7.5%	1.2%	1.2%	1.0%
Information, culture	3.0%	1.2%	0.7%	1.0%	1.7%
Finance, insurance	5.9%	2.8%	1.3%	1.2%	1.9%
Real estate, rental, leasing	18.2%	3.3%	1.7%	1.4%	2.0%
Professional, technical	5.1%	1.1%	2.3%	0.9%	1.2%
Company management	0.02%	-30.0%	0.0%	-0.1%	-0.1%
Administrative, support	2.0%	0.3%	1.3%	3.3%	2.1%
Education	6.5%	0.8%	1.1%	0.8%	1.1%
Health care, social assistance	11.1%	4.2%	2.4%	1.9%	1.9%
Arts, entertainment, recreation	0.5%	-6.1%	0.3%	0.4%	0.9%
Accommodation, food	2.6%	7.2%	0.4%	0.4%	0.8%
Personal, repair	2.0%	1.5%	0.4%	0.9%	1.1%
Public administration	12.4%	1.8%	1.8%	0.8%	1.1%

Source: Statistics Canada, Tables 36-10-0400-01, 36-10-0402-01; Nova Scotia Department of Finance and Treasury Board projections Note: Real estate, rental, leasing includes the imputed rent on owner-occupied dwellings

## Forecast Summary and Private Sector Comparison

Table 6.3 summarizes the Nova Scotia economic outlook used in preparing the revenue estimates. The outlook contains data and information up to January 21, 2026,

**Table 6.3 Nova Scotia Budget Economic Forecast**

(Per cent change, nominal values except where noted)

	2025	2026	2027
Real GDP (\$2017 chained)	1.8	1.5	1.5
<i>Average of private sector forecasters: Real GDP</i>	1.6	1.4	1.6
Nominal GDP	5.0	3.4	3.7
<i>Average of private sector forecasters: Nominal GDP</i>	4.3	3.8	3.7
Compensation of Employees	5.6	4.2	4.0
Household Income	5.0	3.8	4.2
Household Final Consumption	5.3	4.0	4.6
Retail sales	3.4	3.2	4.6
<i>Average of private sector forecasters: Retail sales</i>	3.0	1.9	2.5
Consumer Price Index (all-items, Index 2002=100)	a2.1	2.0	2.0
<i>Average of private sector forecasters: CPI</i>		2.3	2.1
Residential Investment	7.8	4.4	3.3
Non-residential, Machinery, Intellectual Property	5.4	3.5	1.5
Corporate net operating surplus	3.9	4.0	5.2
Unincorporated net mixed income	7.4	3.3	2.2
Exports of goods and services	3.3	4.6	4.1
Exports of goods to other countries	0.3	4.0	2.9
Imports of goods and services	5.9	3.3	3.3
Population at July 1 (000s, all ages)	a1,093.2	1,099.9	1,105.8
Population at July 1 (000s, 18–64)	a667.2	667.2	666.8
Labour force	a0.5	0.3	0.3
Employment	a0.4	0.3	0.3
<i>Average of private sector forecasters: Employment</i>		0.3	0.5
Unemployment rate (%)	a6.6	6.6	6.6
<i>Average of private sector forecasters: Unemployment rate (%)</i>		6.7	6.6

Source: Nova Scotia Department of Finance and Treasury Board

Notes: a=actual; Non-residential, machinery, intellectual property refers to all categories of gross fixed capital formation except residential structures. This includes business as well as non-profit and government investment. Only a limited number of private sector forecasters make projections for nominal GDP and retail sales.

## Economic Forecast Risks and Sensitivities

**Global risks:** Nova Scotia's economic outlook is sensitive to external conditions. Unstable US trade policy and the ongoing war in Ukraine among other geopolitical conflicts pose significant risks to the economic outlook.

The outlook for Nova Scotia's trade is sensitive to global trade policy shifts. Substantial changes to trade policy could result in significant revisions to Nova Scotia's economic outlook. Nova Scotia exporters may experience indirect impacts from tariff-related economic pressures across Canada, including higher import costs driven by trade retaliation and/or currency depreciation. While weaker exchange rates and lower interest rates could help cushion competitiveness challenges, the risk of prolonged trade conflict adds considerable uncertainty to business planning.

The upcoming review of the CUSMA in July 2026 could result in an adverse scenario, in which member countries withdraw from the agreement entirely. Such actions could substantially reduce trade volumes with the US, slowing both the US and Canadian economies while destabilizing foreign exchange markets, commodity prices and monetary policy.

**Domestic risks:** Nova Scotia has enjoyed an economic boost thanks to a surge in new residents, but that momentum may cool as population growth from international and internal migration slows down. The provincial housing market is subject to changing influences, including demographic trends, interest rate movements, labour supply conditions, and government policy measures. Rising home prices reduce the amount of income households can allocate to discretionary spending.

Nova Scotia's investment and GDP are sensitive to the timing of major project activities and infrastructure construction. Uncertainty in major project timing may be further compounded by the risk of labour supply constraints, which could alter how much of these investments pass through to Nova Scotia households and businesses as income. The economic outlook only incorporates major investment projects that are imminent and certain. Proposed projects or initiatives in the developmental stage are not included in this outlook and may constitute an upside risk to the medium-term projections.

The provincial economic forecast is intended to provide a reasonable basis for fiscal planning, but it is often different from the final economic results that drive revenue growth. These variances are typically caused by major events and shocks to the provincial economy as well as revisions to historical data. Many of the key metrics used in this forecast, including labour and population data, are often revised by Statistics Canada after their initial release. Furthermore, recent trends in spending and investment have not aligned closely with actual economic outcomes. Because of this, the current outlook may change as more accurate, revised data becomes available.

The economic outlook is sensitive to changes that could occur to different types of economic activity (6.4). Different types of shocks, including their spinoff effects, would be expected to have different impacts on the economic outlook depending on the supply chain linkages, imports, wages, and employment of the type of activity.

**Table 6.4 Change in Output Required to Change Nominal GDP Growth by 0.5 Percentage Points**

Capital investment	\$404 million
Household final consumption	\$605 million
Resource sector output	\$419 million
Manufacturing sector output	\$593 million
Service sector output	\$346 million
Residential construction	\$440 million

Source: Nova Scotia Department of Finance and Treasury Board

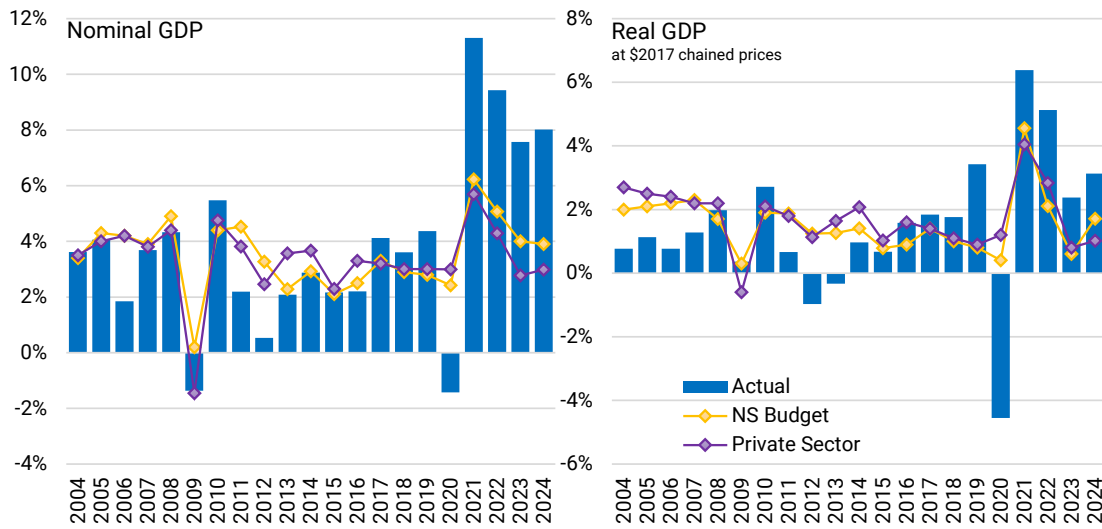
## Economic Forecast Process and Review

Section 56(3)(b) of the Finance Act requires the Minister of Finance and Treasury Board to present the major economic assumptions made in preparing the fiscal plan. The Department of Finance and Treasury Board (FTB) uses a proprietary econometric forecasting model to project the key indicators of Nova Scotia's economy. The model builds future projections on historical trends as well as external assumptions about global conditions. In the process of generating an economic forecast, staff identify conditions that are expected to deviate from historical trends and make appropriate adjustments to reflect these events. This exercise of professional judgment is documented and disclosed to decision-makers prior to releasing the economic forecast. The accuracy of these projections is compared against the latest Statistics Canada results as well as private sector forecast averages in Chart 6.10.

FTB conducts a Challenge and Review Session to validate the economic forecast. Before using the economic assumptions and outlook for budget planning, FTB presents them to members of the academic economists' community and leading private sector forecasters who evaluate whether the assumptions and resulting economic forecasts form a reasonable and coherent basis for fiscal planning. FTB senior management participate in challenge sessions, so that they can hear credible, objective advice on whether the economic forecast is a reasonable basis for fiscal planning.

**Chart 6.10 Economic Forecast Accuracy**

(Per cent change)



Source: Statistics Canada, Table 36-10-0222-01 Gross domestic product, expenditure-based, provincial and territorial, annual (x 1,000,000); Nova Scotia Department of Finance and Treasury Board Budget projections and private sector forecast

## Economic Indicators

Table 6.5 shows levels and growth rates for key economic indicators from 2020 to 2027

**Table 6.5 Nova Scotia Key Indicators**

	2020	ACTUAL			
		2021	2022	2023	2024
Gross domestic product at market prices (\$ millions current)	46,165	51,385	56,228	60,487	65,338
(% change)	-1.4%	11.3%	9.4%	7.6%	8.0%
Gross domestic product at market prices (\$2017, chained millions)	43,513	46,290	48,663	49,819	51,378
(% change)	-4.5%	6.4%	5.1%	2.4%	3.1%
Compensation of employees (\$ millions current)	24,929	27,145	29,623	32,546	34,862
(% change)	0.4%	8.9%	9.1%	9.9%	7.1%
Household income (\$ millions current)	47,413	49,752	52,469	58,390	63,322
(% change)	6.7%	4.9%	5.5%	11.3%	8.4%
Household final consumption expenditure (\$ millions current)	31,212	34,726	38,474	41,601	44,062
(% change)	-3.4%	11.3%	10.8%	8.1%	5.9%
Retail sales (\$ millions current)	16,524	19,265	20,605	21,267	21,806
(% change)	-2.4%	16.6%	7.0%	3.2%	2.5%
Consumer Price Index (all-items, Index 2002=100)	137.9	143.5	154.3	160.5	164.2
(% change)	0.3%	4.1%	7.5%	4.0%	2.3%
Business gross fixed capital formation: residential (\$ millions current)	3,915	4,901	5,746	5,412	5,952
(% change)	7.6%	25.2%	17.2%	-5.8%	10.0%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	6,243	6,760	7,037	7,785	8,952
(% change)	-6.9%	8.3%	4.1%	10.6%	15.0%
Net operating surplus: corporations (\$ millions current)	4,037	4,826	4,818	4,480	5,597
(% change)	12.5%	19.5%	-0.2%	-7.0%	24.9%
Net mixed income: unincorporated (\$ millions current)	5,295	5,725	6,175	7,355	8,346
(% change)	1.0%	8.1%	7.9%	19.1%	13.5%
Exports of goods and services (\$ millions current)	15,309	17,513	20,752	21,577	22,465
(% change)	-12.0%	14.4%	18.5%	4.0%	4.1%
Exports of goods to other countries (\$ millions current)	5,579	6,666	7,176	7,111	7,414
(% change)	-13.6%	19.5%	7.7%	-0.9%	4.3%
Imports of goods and services (\$ millions current)	27,660	31,698	36,513	37,879	39,372
(% change)	-6.7%	14.6%	15.2%	3.7%	3.9%
Population (all ages, 000s July 1)	989.2	999.9	1,024.0	1,053.0	1,082.8
(% change)	1.4%	1.1%	2.4%	2.8%	2.8%
Population (ages 18-64, 000s July 1)	611.5	614.5	627.5	645.0	664.3
(% change)	0.7%	0.5%	2.1%	2.8%	3.0%
Labour Force (000s)	496.5	520.2	526.6	539.6	557.5
(% change)	-1.0%	4.8%	1.2%	2.5%	3.3%
Participation rate (%)	60.4%	62.5%	61.8%	61.5%	61.8%
(change)	-1.5%	2.1%	-0.7%	-0.3%	0.3%
Employment (000s)	447.2	475.5	492.1	505.3	521.3
(% change)	-3.6%	6.3%	3.5%	2.7%	3.2%
Employment Rate (%)	54.4%	57.1%	57.7%	57.6%	57.8%
(change)	-2.9%	2.7%	0.6%	-0.1%	0.2%
Unemployment Rate (%)	9.9%	8.6%	6.6%	6.4%	6.5%
(change)	2.4%	-1.3%	-2.0%	-0.2%	0.1%

## ECONOMIC OUTLOOK

	FORECAST			ANNUAL AVERAGE	
	2025	2026	2027	2020-2024	2024-2027
Gross domestic product at market prices (\$ millions current)	68,586	70,945	73,603		
(% change)	5.0%	3.4%	3.7%	9.1%	4.1%
Gross domestic product at market prices (\$2017, chained millions)	52,299	53,089	53,892		
(% change)	1.8%	1.5%	1.5%	4.2%	1.6%
Compensation of employees (\$ millions current)	36,817	38,362	39,898		
(% change)	5.6%	4.2%	4.0%	8.7%	4.6%
Household income (\$ millions current)	66,470	68,967	71,873		
(% change)	5.0%	3.8%	4.2%	7.5%	4.3%
Household final consumption expenditure (\$ millions current)	46,396	48,263	50,462		
(% change)	5.3%	4.0%	4.6%	9.0%	4.6%
Retail sales (\$ millions current)	22,549	23,263	24,323		
(% change)	3.4%	3.2%	4.6%	7.2%	3.7%
Consumer Price Index (all-items, Index 2002=100)	167.6	171.0	174.4		
(% change)	2.1%	2.0%	2.0%	4.5%	2.0%
Business gross fixed capital formation: residential (\$ millions current)	6,416	6,696	6,920		
(% change)	7.8%	4.4%	3.3%	11.0%	5.2%
Gross fixed capital formation: non-res., M&E, gov't, IP (\$ millions current)	9,433	9,761	9,904		
(% change)	5.4%	3.5%	1.5%	9.4%	3.4%
Net operating surplus: corporations (\$ millions current)	5,816	6,047	6,359		
(% change)	3.9%	4.0%	5.2%	8.5%	4.3%
Net mixed income: unincorporated (\$ millions current)	8,963	9,258	9,460		
(% change)	7.4%	3.3%	2.2%	12.0%	4.3%
Exports of goods and services (\$ millions current)	23,215	24,286	25,275		
(% change)	3.3%	4.6%	4.1%	10.1%	4.0%
Exports of goods to other countries (\$ millions current)	7,437	7,732	7,955		
(% change)	0.3%	4.0%	2.9%	7.4%	2.4%
Imports of goods and services (\$ millions current)	41,677	43,064	44,468		
(% change)	5.9%	3.3%	3.3%	9.2%	4.1%
Population (all ages, 000s July 1)	1,093.2	1,099.9	1,105.8		
(% change)	1.0%	0.6%	0.5%	2.3%	0.7%
Population (ages 18-64, 000s July 1)	667.2	667.2	666.8		
(% change)	0.4%	0.0%	-0.1%	2.1%	0.1%
Labour Force (000s)	560.3	562.2	563.8		
(% change)	0.5%	0.3%	0.3%	2.9%	0.4%
Participation rate (%)	61.3%	61.1%	60.9%	61.6%‡	61.1%‡
(change)	-0.5%	-0.2%	-0.2%		
Employment (000s)	523.5	525.1	526.6		
(% change)	0.4%	0.3%	0.3%	3.9%	0.3%
Employment Rate (%)	57.3%	57.1%	56.9%	56.9%‡	57.1%‡
(change)	-0.5%	-0.2%	-0.2%		
Unemployment Rate (%)	6.6%	6.6%	6.6%	7.6%‡	6.6%‡
(change)	0.1%	0.0%	0.0%		

Source: Nova Scotia Department of Finance and Treasury Board

‡ average level over period, not average change

Notes: Highlighted materials are forecast estimates; Gross fixed capital formulation of non-residential structures, machinery, equipment, intellectual property, includes government and non-profit sector investments as well as business sector investments.

## 7. Borrowing and Debt Management

The Department of Finance and Treasury Board serves as the treasury function for most of the government entity, including managing daily banking functions (bank transfers, short-term investing and borrowing, and banking relationships) and short-term investments of special funds (sinking funds and miscellaneous trust funds).

**Financial Market Debt:** The Department of Finance and Treasury Board is responsible for managing Nova Scotia's gross financial market debt portfolio, which is forecasted to stand at \$21.1 billion as of March 31, 2026 (Table 7.1). Against this, gross financial market debt are financial assets held in a discretionary sinking fund (\$1.05 billion) plus holdings of the Municipal Fund debt (\$958.4 million). These assets total approximately \$2.0 billion and are subtracted from gross financial market debt to result in an expected net financial market debt of \$19.1 billion as at March 31, 2026. The management of this net financial market debt position consists of executing the Province's borrowing program, investing sinking funds, and where cost-effective, executing derivative transactions.

The Municipal Fund acts as a central borrowing agency for municipalities and municipal enterprises in Nova Scotia. Under the incorporating legislation, municipalities and municipal enterprises are required to raise their long-term capital requirements through the Municipal Fund except for borrowings from the federal government, the Province, another municipality, or their agencies.

Nova Scotia's budgetary policy sets the context for treasury management operations. The Province's annual fiscal plan sets the context for debt management. This Budget shows that the Province posted a budgetary deficit of \$1.25 billion in 2025–26 and intends to post a budgetary deficit of \$1.19 billion in 2026–27, before contingency, and \$1.24 billion in 2026–27 after allowance for contingency. This is followed by further declining deficits in the next three fiscal years, before an allowance for contingency. By way of background, the Province posted surpluses in fiscal years 2016–17 to 2019–20, and again from 2021–22 to 2024–25.

The management of the debt portfolio and borrowing program must consider the external financial and economic environment. The ongoing invasion of Ukraine by Russia, the recent takeover of Venezuela's oil production by the United States, and rising tension between Iran and the United States will continue to impose risks and volatility to the global economy and financial markets. In addition, the United States' ongoing 'America First' policy stance is disrupting traditional trading patterns and the international order, concerning global trading partners. The resulting uncertainty adds volatility to the global economy and financial markets, which are expected to remain challenging for all provinces over the next year. The Bank of Canada's approach to raising or lowering its key interest rate remains uncertain given the above risks.

## BORROWING AND DEBT MANAGEMENT

The Province of Nova Scotia has a borrowing program of \$3.39 billion for the 2026–27 fiscal year, before a contingency allowance (or \$3.44 billion, after a contingency allowance).

The Budget Estimates and Public Accounts are presented on a full accrual basis. In contrast, treasury management is the cash side of government operations, and in this context, the borrowing requirements are a cash flow measure, representing actual cash transactions related to current, past, and future budgetary transactions, as well as the cash flow implications of non-budgetary transactions, such as capital advances to governmental units, differences in cash versus accrual revenues in the Budget, and net acquisition of tangible capital assets.

**Table 7.1 Projected Gross and –Net Financial Market Debt**

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
<b>Gross Debt</b>						
Opening Balance	18,593.6	18,593.6	21,107.6	25,236.4	28,599.5	31,300.5
Borrowing Program, Before Contingency	2,970.5	3,028.1	3,391.0	4,712.5	3,929.3	3,246.5
Debt Retirement	(841.2)	(841.2)	(3.5)	(1,203.4)	(1,103.6)	(1,103.9)
Change in other unfunded debt	631.8	327.2	741.3	(146.0)	(124.7)	(138.4)
<b>Closing Balance, Before Contingency</b>	<b>21,354.7</b>	<b>21,107.6</b>	<b>25,236.4</b>	<b>28,599.5</b>	<b>31,300.5</b>	<b>33,304.7</b>
<b>Closing Balance, After Contingency</b>	<b>21,354.7</b>	<b>21,107.6</b>	<b>25,286.4</b>	<b>28,699.5</b>	<b>31,450.5</b>	<b>33,504.7</b>
<b>Discretionary Funds</b>						
Opening Balance	1,016.5	1,019.4	1,047.0	1,079.1	1,116.0	1,156.5
Earnings	27.1	27.5	32.1	36.9	40.5	43.8
Fund Withdrawals	-	-	-	-	-	-
<b>Closing Balance</b>	<b>1,043.6</b>	<b>1,047.0</b>	<b>1,079.1</b>	<b>1,116.0</b>	<b>1,156.5</b>	<b>1,200.3</b>
<b>Municipal Fund</b>						
Opening Balance	892.7	892.7	958.4	1,039.8	1,093.8	1,179.0
Repayments	(118.2)	(118.9)	(108.7)	(146.0)	(124.7)	(138.4)
Advances to Municipal Fund	225.0	184.6	190.0	200.0	210.0	220.0
<b>Closing Balance</b>	<b>999.5</b>	<b>958.4</b>	<b>1,039.8</b>	<b>1,093.8</b>	<b>1,179.0</b>	<b>1,260.7</b>
<b>Net Financial Market Debt, Before Contingency</b>	<b>19,311.5</b>	<b>19,102.2</b>	<b>23,117.6</b>	<b>26,389.8</b>	<b>28,965.0</b>	<b>30,843.7</b>
<b>Net Financial Market Debt, After Contingency</b>	<b>19,311.5</b>	<b>19,102.2</b>	<b>23,167.6</b>	<b>26,489.8</b>	<b>29,115.0</b>	<b>31,043.7</b>

In 2025–26, the Province estimates there was approximately a \$2.4 billion increase in net financial market debt outstanding in financial markets due to net acquisition of tangible capital assets, and many other non-cash items that contributed to offset the rise in financial market debt. The Province estimates that net financial market debt in financial markets will increase by about \$4.01 billion in 2026–27 before a contingency allowance (or \$4.06 billion after a contingency allowance), primarily due to the budgetary deficit, the net acquisition of tangible capital assets, and funding for construction of additional long-term care facilities.

## Nova Scotia Credit Ratings

Nova Scotia maintains a policy of full disclosure and transparency with financial market participants. Nova Scotia actively communicates its economic and fiscal position both to investors and to bond-rating agencies. In 2025–26, Moody's and Morningstar DBRS credit rating agencies confirmed the Province's credit rating at Aa2 and A(high) with a stable outlook, respectively, while on January 26, 2026, S&P Global Ratings lowered its long-term issuer credit rating on the Province of Nova Scotia to 'A+' from 'AA-', lowered its short-term issuer credit rating to 'A-1' from 'A-1+' and maintained the Province's negative outlook.

Table 7.2 shows current provincial credit ratings. Note that (neg) refers to a negative outlook, indicating the rating agency may change the respective Province's credit rating downward over the next year or so. Similarly, (pos) refers to a positive outlook, indicating the rating agency may change the rating upwards over the next year or so.

**Table 7.2 Canadian Provincial Credit Ratings**

	<b>DBRS</b>	<b>S&amp;P</b>	<b>Moody's</b>
<b>Nova Scotia</b>	<b>A(high)</b>	<b>A+(neg)</b>	<b>Aa2</b>
Prince Edward Island	A	A	Aa2
Newfoundland & Labrador	A	A	A1
New Brunswick	A(high)	A+	Aa1
Quebec	AA(low)	A+	Aa2
Ontario	AA	AA-	Aa3
Manitoba	A(high)	A+	Aa2
Saskatchewan	AA(low)	AA	Aa1
Alberta	AA	AA-	Aa2
British Columbia	AA(high)(neg)	A+(neg)	Aa1(neg)

Nova Scotia files a Form 18-K Annual Report and other required documents with the US Securities and Exchange Commission, which provides information to investors and the public on the economic, fiscal, and debt situation of the Province. The most recent submission can be viewed on the Department of Finance and Treasury Board's website.

## Structure of the Debt Portfolio

The structure of the Province's debt portfolio has been evolving over the past number of years with the intent of locking in historically low interest rates to protect the Province's fiscal situation from unanticipated increases in interest rates and managing the Province's long-term refinancing requirements. At the same time, the Province has maintained a relatively constant level of exposure to short-term interest rates.

### Primary Issuance Market Activities

The Province of Nova Scotia forecasts a budgetary deficit in 2025–26 of \$1.25 billion and expects to post a budgetary deficit of \$1.19 billion in 2026–27 before a contingency allowance. The Department of Finance and Treasury Board borrows monies in capital markets to fund these budgetary deficits, refinance existing debt, fund the acquisition of net tangible capital assets, on-lending to Crown corporations, and for other non-budgetary purposes.

The management of debt maturities and timing of new debt issuances are optimized by using discretionary sinking fund reserves held by the Province. As noted below, these discretionary funds represent an integral component of the Province's Treasury Management strategy as their drawdown or replenishment can significantly alter the timing of debt issuance year to year.

**2025–26 Borrowing Completed:** In the fiscal year 2025–26, the Province borrowed \$3,000 million (proceeds of \$3,028.1 million) compared to term debt borrowing requirements of \$2,970.5 million estimated in the Budget. In the domestic public market, the Department of Finance and Treasury Board reopened \$1,400 million, 30-year debenture issues with a coupon rate of 4.60 per cent, \$300 million reopening in 50-year Medium Term Notes with a coupon rate of 4.75 per cent, reopened a \$400 million 10-year debenture with a coupon rate of 3.85 per cent, reopened a 7-year \$500 million Floating Rate Note based on the Canadian Overnight Repo Rate Average (CORRA) with a coupon rate of CORRA +71 basis points, and issued new \$400 million 10-year debentures with a coupon rate of 3.90 per cent.

**2026–27 Annual Borrowing:** Projected term debt borrowing requirements for fiscal year 2026–27 is expected to be \$3.39 billion (Table 7.3), before contingency allowance (or \$3.44 billion, after contingency allowance) primarily related to funding of the budgetary deficit, the net acquisition of tangible capital assets, and funding for construction of additional long-term care facilities. There are numerous cash versus accrual adjustments (non-budgetary items) that need to be made to determine the actual cash requirements of the General Revenue Fund.

Each year there are requirements for the excess of capital expenditure over capital amortization, referred to as the net acquisition of tangible capital assets, those requirements in 2026–27 are \$2.7 billion. The remaining non-budgetary adjustments are primarily related to non-cash interest charges on unfunded pension liabilities and post-employment benefits, and the non-cash expense of the Pension Valuation Adjustment. The Department of Finance and Treasury Board does not anticipate drawing down discretionary sinking funds in 2026–27 but draws attention to the fact that these funds total approximately \$1.05 billion.

**Table 7.3 Projected Borrowing Requirements**

(\$ millions)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
Budgetary (surplus) / deficit, Before Contingency	697.5	1,249.1	1,191.0	1,046.6	950.0	759.5
Net Capital Advances	854.6	144.4	236.9	108.3	108.9	102.1
Net Advances to Municipal Fund	106.8	65.7	81.3	54.0	85.3	81.6
Tangible Capital Assets: Net Cash	1,672.0	1,937.3	2,723.8	2,314.2	1,691.2	1,204.7
Other Non-Budgetary Transactions	(478.7)	(788.3)	(27.6)	(51.0)	(50.1)	(49.2)
<b>Cash Operating Requirements</b>	<b>2,852.2</b>	<b>2,608.1</b>	<b>4,205.4</b>	<b>3,472.2</b>	<b>2,785.2</b>	<b>2,098.8</b>
<b>Cash Debt Retirement</b>	<b>841.2</b>	<b>841.2</b>	<b>3.5</b>	<b>1,203.4</b>	<b>1,103.6</b>	<b>1,103.9</b>
Public Debt Management Fund Income	27.1	27.5	32.1	36.9	40.5	43.8
<b>Net Discretionary Sinking Fund Requirements</b>	<b>27.1</b>	<b>27.5</b>	<b>32.1</b>	<b>36.9</b>	<b>40.5</b>	<b>43.8</b>
Total Requirements:	3,720.5	3,476.8	4,241.0	4,712.5	3,929.3	3,246.5
Change in Short-Term Borrowing or Drawdown of Short-term Assets (increase) / decrease	(750.0)	(448.7)	(850.0)	-	-	-
<b>Total Borrowing Requirements, Before Contingency</b>	<b>2,970.5</b>	<b>3,028.1</b>	<b>3,391.0</b>	<b>4,712.5</b>	<b>3,929.3</b>	<b>3,246.5</b>
Contingency	200.0	-	50.0	50.0	50.0	50.0
<b>Total Borrowing Requirements, After Contingency</b>	<b>3,170.5</b>	<b>3,028.1</b>	<b>3,441.0</b>	<b>4,762.5</b>	<b>3,979.3</b>	<b>3,296.5</b>

The Province, through its access to capital markets, can raise financing in an efficient and cost-effective manner; as such the Province, through its annual borrowing program, secures wholesale funding on behalf of its Crown entities for their diverse on-lending requirements. Net capital advances to Crown entities in 2025–26 is forecast to have been \$144.4 million, a decrease from the Budget Estimate of \$854.6 million. For fiscal year 2026–27 net capital advances are estimated to be \$236.9 million.

At March 31, 2026, the Municipal Fund portfolio is expected to be \$958.4 million in municipal debentures, an increase from \$892.7 million the year before.

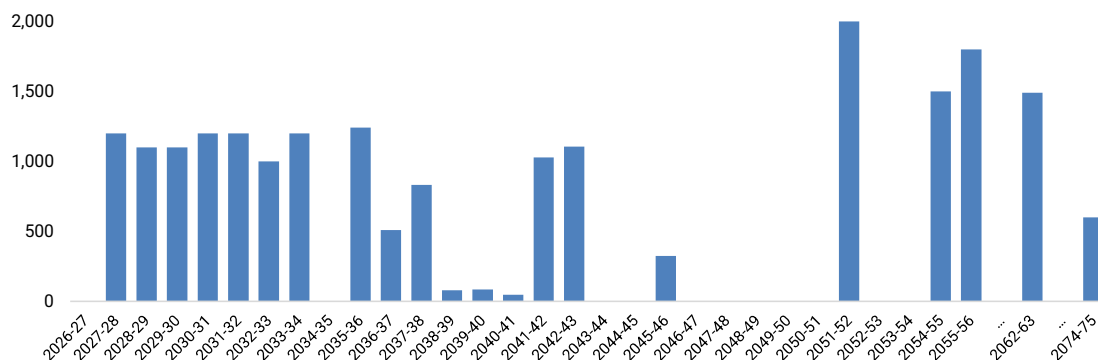
The Province maintains documentation with the Securities and Exchange Commission in the United States to provide access to the US and global bond markets. Although Nova Scotia maintains documentation to borrow in foreign markets, the domestic Canadian debt market is expected to be the primary source of funding for the Province's borrowing program in 2026–27. The Province attempts to maintain a presence in the domestic public debt markets with liquid benchmark issues. The domestic Medium-Term Note (MTN) program is maintained to add flexibility to the domestic borrowing program.

## Debt Maturity Schedule

The Province of Nova Scotia's gross financial market debt at March 31, 2026, is expected to consist of Canadian fixed-coupon marketable debentures, floating interest rate marketable debentures, Canada Pension Plan non-marketable debentures, capital leases (\$98.4 million) on public-private-partnership schools, the Halifax Convention Centre, a correctional facility, and net short-term promissory notes. Chart 7.1 displays the maturity profile of the Province's debenture debt portfolio (\$20.8 billion).

**Chart 7.1 General Revenue Fund Debt Portfolio: Debenture Debt Maturity Schedule**

(\$ millions)



As of March 31, 2026, the average term to maturity of the gross debenture portfolio is expected to be 16.3 years, up from 15.5 years, one year ago.

The Province of Nova Scotia has accumulated approximately \$1.05 billion in a discretionary sinking fund that is held for policy purposes. The policy objectives of the discretionary funds are to manage interest rates, manage short-term liquidity, and assist in the refunding of maturing debt, while at the same time providing an appropriate level of investment return to the General Revenue Fund.

## Net Debt

Net Debt is made up of Total Liabilities less Financial Assets, and the actual year-end results are reported in the Consolidated Financial Statements of the Province. Net debt provides a measure of the future revenues required to pay for past transactions and events. Surpluses reduce the Net Debt of the Province while deficits and net capital spending increase the Net Debt. Net Debt is larger than Net Financial Market Debt as it includes future obligations and nets non-marketable assets.

Net Debt is a key measure of the Province's financial position and the Net Debt-to-Gross Domestic Product (GDP) ratio is the most widely recognized measure of government financial sustainability. Nova Scotia's ratio of Net Debt-to-nominal GDP at market prices is estimated to stand at 35.0 per cent on March 31, 2026, up from 31.9 per cent a year earlier. Table 7.4 presents the projected Net Debt over the fiscal plan. The impact of the long-term care accounting change, required by the Auditor-General, is significant – adding more than \$3 billion to net debt by 2029–30.

**Table 7.4 Projected Net Debt**

(\$ millions)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
<b>Net Debt - Opening Balance</b>	19,749.8	20,843.6	24,030.1	27,944.8	31,305.6	33,946.7
Add (Deduct):						
Provincial Deficit (Surplus)	697.5	1,249.1	1,191.0	1,046.6	950.0	759.6
Increase in the Net Book Value of Tangible Capital Assets	1,672.4	1,937.4	2,723.8	2,314.2	1,691.2	1,204.7
Other	300.0	-	-	-	-	-
Change in Net Debt	2,669.9	3,186.5	3,914.7	3,360.8	2,641.1	1,964.2
<b>Net Debt - Closing Balance</b>	<b>22,419.7</b>	<b>24,030.1</b>	<b>27,944.8</b>	<b>31,305.6</b>	<b>33,946.7</b>	<b>35,910.9</b>

## Debt Servicing Costs

Gross debt servicing costs comprise the following items: (1) interest on existing long-term debenture and capital lease debt and the estimated interest cost of incremental borrowing; (2) general interest that provides for bank charges, bond issue expense, amortization of debenture discounts/premiums, and short-term interest costs; and (3) the accrual of interest of the Province's unfunded pension and post-retirement benefit obligations.

In addition, gross debt-servicing costs also support the General Revenue Fund's on-lending activities to Crown corporations. That is, the General Revenue Fund incurs interest charges on long-term debt obligations that have been borrowed on behalf of the Municipal Fund and Crown corporations such as the Farm Loan Board. The General Revenue Fund earns interest on those monies lent to the Municipal Fund and Crown corporations and other investments in amounts of \$763.2 million in the 2025–26 forecast, and \$868.2 million in the 2026–27 Budget Estimate. Unlike the earnings on liquidity fund assets, the income from the on-lending activity is not typically shown as netted against debt-servicing costs. To achieve a true picture of the actual interest cost on long-term indebtedness, these amounts should be subtracted from gross debt-servicing costs (Table 7.5).

**Table 7.5 Projected Debt Servicing Costs**

(\$ millions)

	2025-26 Estimate	2025-26 Forecast	2026-27 Estimate	2027-28 Estimate	2028-29 Estimate	2029-30 Estimate
Interest on Long-term Debt	745.7	763.2	868.2	1,021.7	1,175.2	1,300.9
General Interest	55.2	56.2	59.6	61.8	50.1	50.6
Interest on Pension, Retirement and other obligations	107.6	100.5	102.3	103.7	104.1	105.3
<b>Gross Debt Servicing Costs</b>	<b>908.5</b>	<b>919.8</b>	<b>1,030.1</b>	<b>1,187.2</b>	<b>1,329.5</b>	<b>1,456.7</b>

## Debt Servicing Costs: Assumptions and Sensitivity Analysis

Actual debt servicing costs will vary from estimated amounts due to the dependence of debt servicing costs on certain financial market variables and changes in the amount borrowed.

With the elimination of the Province's foreign currency exposure, the main factor in debt servicing cost sensitivity is the overall level of Canadian short-term interest rates during the fiscal year. Sensitivity to this variable (how much debt servicing costs would change if a variable changed from the assumed level for a full year) is approximately \$6.1 million if Canada Treasury Bills were a full percentage point higher relative to the assumed level.

## Risk Management

The Debt Management Committee, an advisory committee to the Minister of Finance and Treasury Board, carries out the governance and oversight function for the debt management of the Province. The committee ensures that the Province's treasury management is based on sound financial principles and is conducted in a prudent manner, balancing the costs and risks within acceptable control standards. The committee has responsibilities for the following key governance roles: strategic planning, risk management, internal control, and communications. These functions ensure that the governance and oversight roles of treasury management operations are independent of operational staff.