Forecast Update

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NOVA SCOTIA

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Introduction

The Forecast Update provides revised information about Nova Scotia's fiscal outlook, including updated information about the major components of revenue and expenses as set out in the 2018–19 Budget Estimates.

Relative to the 2018–19 Budget Estimates, the forecasted surplus is projected to improve. The Province of Nova Scotia is forecasting a surplus position of $34.5 million, an increase of $5.1 million from the Budget's surplus position of $29.4 million.

This Forecast Update shows that Nova Scotia is continuing along the path to achieving fiscal sustainability. Strengthening fiscal health is crucial to maintain the capacity to provide public services to all Nova Scotians, as well as attract new businesses that will help create more jobs and continue to drive Nova Scotia's economy.

Recognition of the province's strong fiscal management has led Nova Scotia to receive its highest-ever credit rating from Standard & Poor's bond-rating agency in September 2018. The agency notes that Nova Scotia is expected to fiscally outperform most Canadian provinces in the next two years.

This Forecast Update shows that the province is following the plan laid out in the Budget 2018–19 Estimates, which focused on strengthening important services and supports so that all Nova Scotians have opportunities to grow and succeed.

Overview

The Province of Nova Scotia is forecasting a surplus of $34.5 million. This is an increase of $5.1 million from the budgeted surplus in the 2018–19 Budget Estimates.

Total Provincial Revenue, including Ordinary Revenue and recoveries, and Net Income from Government Business Enterprises (GBEs), is forecast to be $10.90 billion, an increase of $93.3 million from the 2018–19 Budget Estimates.

Forecast changes in Ordinary Revenue include a $24.1 million increase in Provincial Tax Revenue, a $60.4 million increase in Other Provincial Revenue sources, $2.2 million higher for Investment Income, and a $1.4 million increase in Federal Revenue Sources.

Ordinary Recoveries Revenue is forecast to increase by $4.8 million. Net income from GBEs is forecast to increase by $0.5 million from Budget.

Total expenses are forecast to be $10.95 billion; $88.4 million higher than the Budget Estimates. This is mainly due to an increase in Departmental Expenses, partially offset by decreases to Debt Servicing Costs and Pension Valuation Adjustment.

Consolidation and Accounting Adjustments positively impact the bottom line by $82.1 million, $0.2 million more than budgeted.

Fiscal Summary 2018–19

($ thousands)

General Revenue Fund	Budget	Forecast	*Increase (Decrease)* from Budget
Revenues			
Ordinary Revenue	9,773,351	9,861,368	88,017
Ordinary Recoveries	655,546	660,343	4,797
Net Income from Government Business Enterprises	381,255	381,788	533
Total - Revenues	**10,810,152**	**10,903,499**	**93,347**
Expenses			
Departmental Expenses	9,693,362	9,806,571	113,209
Refundable Tax Credits	146,883	147,321	438
Pension Valuation Adjustment	128,803	118,207	(10,596)
Debt Servicing Costs	893,573	878,927	(14,646)
Total - Expenses	**10,862,621**	**10,951,026**	**88,405**
Consolidation and Accounting Adjustments Adjustments for Government Units	81,899	82,062	163
Provincial Surplus (Deficit)	**29,430**	**34,535**	**5,105**

Revenue

Total Revenue is forecast to be $10.9 billion, $93.3 million or 0.9 per cent more than the 2018–19 Budget Estimates.

This represents a $24.1 million increase in Provincial Tax Revenue or 0.4 per cent, an increase in Other Provincial Revenue Sources of $60.4 million or 14.0 per cent, an increase in Investment Income of $2.2 million or 1.1 per cent and an increase in Net Income from GBEs of $0.5 million or 0.1 per cent and Federal Revenue Sources are up by $1.4 million or 0.04 per cent. Ordinary Recoveries are up $4.8 million or 0.7 per cent from Budget.

Ordinary Revenue — Provincial Revenue Sources

Tax Revenue

Personal Income Tax revenue is forecast to be up by $30.5 million or 1.1 per cent from 2018–19 Budget, primarily because of higher projected personal taxable income. Taxable income is projected to be up by $137.7 million in 2018 and by $280.2 million in 2019. Yield growth is projected to rise by 0.3 per cent in 2018 and by 0.5 per cent in 2019.

Corporate Income Tax revenue is forecast to be up by $1.0 million or 0.2 per cent from Budget, as national corporate taxable income is projected to increase by 0.1 per cent in 2018 and by 1.6 per cent in 2019. The forecasts of the province's share and the small business share of taxable income are unchanged from Budget.

Harmonized Sales Tax (HST) revenue is forecast to be up by $0.9 million or 0.05 per cent from Budget, primarily due to projected growth in the residential housing investment base of 4.4 per cent in 2018 and 3.1 per cent in 2019. The increase is partially offset by slower growth in the consumer expenditure base. There is also a reduction in the projected HST from recreational cannabis due to the delay in the legalization date from July 1 to October 17, 2018.

Motive fuel tax revenue is forecast to be down by $3.7 million or 1.4 per cent from Budget due to lower than projected volumes of gasoline consumption. Gasoline consumption is projected to be 2.6 per cent lower than Budget while consumption of diesel oil is projected to be 1.2 per cent higher.

Tobacco tax revenue is forecast to be $4.9 million or 2.3 per cent lower than Budget. The decline is primarily attributable to a 1.6 per cent decrease in the projected volume of cigarette consumption.

Cannabis tax revenues are projected to decline by $5.9 million or 57.2 per cent from Budget. The delay in the legalization date results in lower quantities being purchased from licensed producers for the fiscal year.

Other taxes are up by $6.2 million or 3.7 per cent, primarily as a result of higher than expected revenue from tax on insurance premiums and the levy on private sales of used vehicles.

Other Provincial Revenue

Other Provincial Source revenues are forecast to be $60.9 million or 26.6 per cent higher than Budget, primarily because of the forfeiture payment associated with Offshore Licenses, which accounts for $60.4 million of the change.

Offshore royalty revenue is projected to be down by $3.0 million or 50.6 per cent from Budget. Production from Deep Panuke has ceased and production volumes for the Sable Offshore Energy Project continue to decline significantly as the project nears its technical end date.

Investment Income

Investment Income is $2.2 million or 1.1 per cent higher than Budget, primarily because of higher interest rates.

Total Revenue 2018–19

($ thousands)

General Revenue Fund: Revenues	**Budget**	**Forecast**	*Increase (Decrease)* **from Budget**
Provincial Revenue Sources			
Tax Revenue:			
Personal Income Tax	2,816,066	2,846,548	30,482
Corporate Income Tax	531,267	532,232	965
Harmonized Sales Tax	1,858,125	1,859,031	906
Cannabis Tax	10,400	4,452	(5,948)
Motive Fuel Tax	272,440	268,758	(3,682)
Tobacco Tax	214,118	209,233	(4,885)
Other Tax Revenue	165,961	172,173	6,212
	5,868,377	5,892,427	24,050
Other Provincial Revenue:			
Registry of Motor Vehicles	131,966	133,866	1,900
Royalties - Petroleum	5,954	2,941	(3,013)
Other Provincial Sources	229,303	290,204	60,901
TCA Cost Shared Revenue	2,249	2,915	666
Other Fees and Charges	61,793	61,786	(7)
Prior Years' Adjustments	---	---	---
Gain on Disposal of Crown Assets	---	---	---
	431,265	491,712	60,447
Investment Income:			
Interest Revenues	85,384	86,824	1,440
Sinking Fund Earnings	107,670	108,385	715
	193,054	195,209	2,155
Total - Provincial Sources	**6,492,696**	**6,579,348**	**86,652**
Federal Revenue Sources			
Equalization Payments	1,820,257	1,820,257	---
Canada Health Transfer	996,467	996,467	---
Canada Social Transfer	365,720	365,720	---
Offshore Accord Offset Payments	18,092	18,092	---
Crown Share	1,423	---	(1,423)
Other Federal Sources	28,340	29,141	801
TCA Cost Shared Revenue	50,356	52,343	1,987
Prior Years' Adjustments	---	---	---
Total - Federal Sources	**3,280,655**	**3,282,020**	**1,365**
Total - Ordinary Recoveries	**655,546**	**660,343**	**4,797**
Net Income from Government Business Enterprises (GBE)			
Nova Scotia Liquor Corporation	233,632	233,632	---
Nova Scotia Provincial Lotteries and Casino Corp	130,400	130,400	---
Halifax-Dartmouth Bridge Commission	7,883	8,416	533
Highway 104 Western Alignment Corporation	9,340	9,340	---
Total - Net Income from GBEs	**381,255**	**381,788**	**533**
Total - Revenues	**10,810,152**	**10,903,499**	**93,347**

Ordinary Revenue — Federal Revenue Sources

Equalization is based upon the province's decision to receive payments calculated according to the Expert Panel approach. This is a one-estimate, one-payment approach and as a result the forecast is equal to Budget. Forecasts for the Canada Health Transfer and Canada Social Transfer are unchanged from Budget.

The Offshore Accord payment is based upon a one-estimate, one-payment approach and as a result the forecast is unchanged from Budget. The province is no longer forecasting any revenue in 2018–19 for the Crown Share Adjustment Payments because of the declining profitability in offshore resource projects. The forecast is down $1.4 million or 100 per cent.

Total Tangible Capital Asset cost shared revenue is forecast to be $2.7 million or 5.0 per cent higher than Budget primarily as a result of higher than expected revenues from Building Canada projects due to project timing.

Ordinary Recoveries

Ordinary Recoveries Revenue is forecast to be $4.8 million or 0.7 per cent higher than the 2018–19 Budget Estimates.

Department of Business recoveries are forecast to be $2.0 million lower than Budget as the Halifax Regional Municipality will submit its portion of the Halifax Convention Centre's anticipated operating losses directly to Events East Group.

Department of Health and Wellness recoveries are forecast to be $5.1 million higher than Budget, primarily due to out of province recoveries for insured services.

Department of Labour and Advanced Education recoveries are forecast to be $1.2 million lower than Budget, primarily due to project timing under the Federal Post-Secondary Institutions Strategic Investment Fund.

Assistance to Universities recoveries are forecast to be $5.1 million lower than Budget, primarily due to project timing under the Federal Post-Secondary Institutions Strategic Investment Fund.

Department of Municipal Affairs recoveries are forecast to be $8.2 million higher than Budget, primarily due to $4.4 million for project timing under the Clean Water Wastewater Fund, $2.9 million for project timing under the Public Transit Infrastructure Fund, and $1.8 million for new projects under the National Disaster Mitigation Program. These increases are partially offset by a reduction of $0.9 million for project delays related to the New Building Canada Fund.

Net Income from Government Business Enterprises (GBE)

The total Net Income from GBEs is forecast to be $0.5 million or 0.1 per cent higher than Budget. This is due to the Halifax-Dartmouth Bridge Commission forecasting net income to increase $0.5 million or 6.8 per cent, because of higher than expected traffic volumes.

Expenses

Total expenses for 2018–19 are forecast to be $10.95 billion, $88.4 million higher than the Budget Estimates.

Increases in Departmental Expenses of $113.2 million and refundable tax credits of $0.4 million are partially offset by reductions in the Pension Valuation adjustment of $10.6 million and Debt Servicing Costs of $14.6 million.

Departmental Expenses

Total Departmental Expenses for 2018–19 are forecast to be $9.8 billion or $113.2 million higher than the Budget Estimates.

The Department of Business is forecast to be $2.1 million lower than Budget, primarily due to a $10.0 million reduction to the Loan Valuation Allowance for existing Nova Scotia Jobs Fund commitments and a $2.0 million decrease in Halifax Convention Centre expenses as they will now flow to Events East Group directly from the Halifax Regional Municipality. These reductions are offset by increases in other areas, including $6.0 million due to deferred spending for the Centre for Ocean Ventures and Entrepreneurship project, $3.3 million to Develop Nova Scotia to support the transition to their new mandate, and $0.6 million in other program costs.

The Department of Health and Wellness is forecast to be $70.8 million higher than Budget due to $39.4 million in additional funding to the health authorities for rising demand in a variety of health-care services, $25.7 million for Continuing Care Sector service award payouts, $3.4 million for higher Emergency Health Services ambulance call volumes and other contract costs, and $2.3 million in increased pharmaceutical costs due to higher than expected need for special drugs.

Departmental Expenses 2018–19

($ thousands)

	Budget	Forecast	Increase (Decrease) from Budget
Agriculture	49,615	49,615	---
Business	156,111	154,056	(2,056)
Communities, Culture and Heritage	88,046	87,434	(612)
Community Services	989,698	989,698	---
Education and Early Childhood Development	1,397,782	1,397,753	(30)
Energy and Mines	31,462	31,462	---
Environment	37,516	37,516	---
Finance and Treasury Board	23,446	23,446	---
Fisheries and Aquaculture	20,889	20,889	---
Health and Wellness	4,367,099	4,437,937	70,838
Internal Services	189,497	189,968	471
Justice	354,581	354,581	---
Labour and Advanced Education	389,373	388,210	(1,163)
Assistance to Universities	425,272	425,272	---
Municipal Affairs	212,581	221,454	8,873
Lands and Forestry	79,601	80,291	690
Public Service	210,298	209,863	(435)
Seniors	2,709	2,709	---
Transportation and Infrastructure Renewal	477,545	477,977	432
Restructuring Costs	190,241	226,441	36,200
Total - Departmental Expenses	**9,693,362**	**9,806,571**	**113,209**

The Department of Labour and Advanced Education is forecast to be $1.2 million lower than Budget, primarily due to project timing under the Federal Post-Secondary Institutions Strategic Investment Fund.

The Department of Municipal Affairs is forecast to be $8.9 million higher than Budget primarily due to $6.9 million for project timing under the Clean Water Wastewater Fund, $2.9 million for project timing under the Public Transit Infrastructure Fund, and $2.1 million for new projects under the National Disaster Mitigation Program. These increases are partially offset by $2.6 million for project delays related to the New Building Canada Fund and $0.4 million in other program and operational savings.

Restructuring Costs are forecast to be $36.2 million higher than Budget due to higher than anticipated budget requirements for non-wage corporate initiatives.

Consolidation and Accounting Adjustments

Consolidation and accounting adjustments for government units are forecast to be $82.1 million, an increase of $0.2 million.

Refundable Tax Credits

Refundable Tax Credits are forecast to be $0.4 million higher than Budget due to additional applications for the Film Industry Tax Credit.

Pension Valuation Adjustment

The Pension Valuation Adjustment is forecast to be $118.2 million, down $10.6 million from Budget, resulting primarily from updated actuarial valuations.

Debt Servicing Costs

Total Debt Servicing Costs are forecast to be $878.9 million, $14.6 million lower than Budget, primarily because of actual interest rate increase being less than anticipated.

Capital

Total capital spending is forecast to be $610.4 million, $5.4 million higher than Budget.

Tangible Capital Assets (TCA)

The province is forecasting capital purchase requirements to be $0.9 million lower than Budget. This is primarily due to lower projected spending on buildings and is offset by increased spending on highways and structures, information technology, and vehicles and equipment.

Capital Grants

The province is forecasting capital grant requirements to be $6.3 million higher than Budget primarily due to $6.0 million in deferred spending for the Centre for Ocean Ventures and Entrepreneurship project.

Capital Spending 2018–19

($ thousands)

	Budget	Forecast	*Increase (Decrease)* from Budget
Highways & Structures	287,368	287,413	45
Buildings	129,974	128,412	(1,562)
Information Technology	24,503	25,002	499
Land Purchases	10,000	10,000	---
Vehicles and Equipment	13,795	13,892	97
Contingency	22,270	22,270	---
Total - Capital Purchase Requirements	**487,910**	**486,989**	**(921)**
Capital Grants	117,090	123,407	6,317
Total - Capital Spending	**605,000**	**610,396**	**5,396**

Economic Performance and Outlook: 2018–19

Before receiving results of actual tax revenues collected, the province relies on economic forecasts and statistical relationships with historical administrative data to estimate tax revenues. Nominal Gross Domestic Product (GDP) is the broadest measure of the economy's tax base and components of nominal GDP, such as employee compensation, consumer expenditures, and residential construction, provide an indication of the size of specific tax bases.

External Outlook

The global economy continues to grow at a moderate pace led by robust growth in the United States (US). However, real GDP in other advanced economies has slowed compared to 2017. Escalating trade tensions and financial stresses in certain emerging market economies are negative risks to the outlook for some countries but are not expected to cause widespread disruption. The International Monetary Fund projects that global real GDP will expand slightly faster than in 2017 with growth of 3.9 per cent in both 2018 and 2019.

The US economy continues to grow in one of its longest expansionary periods since World War II. Real GDP growth in the first quarter of 2018 was 2.2 per cent and 4.2 per cent in the second quarter. The US Federal Government has increased spending and reduced taxes. The US Federal Reserve continues to raise interest rates gradually amid firming inflation and a tightening labour market.

Euro area real GDP growth slowed during the first half of 2018 but remains broad based and faster than earlier trends.

The United Kingdom economy continues to adjust to the Brexit decision and associated uncertainty around the long-term economic relationship with the European Union. Depreciation of the British pound helped to lift exports but has slowed household real income and consumption growth.

China's economy is expected to slow in coming years, but the outlook for real GDP growth still exceeds 6 per cent per year.

After strong real GDP growth of 3.0 per cent and nominal growth of 5.4 per cent in 2017, economic growth in Canada is projected to slow in 2018 and 2019. With the economy operating near full-capacity and elevated household debt levels, the composition of growth in Canada is expected to shift towards business investment and exports and away from household and residential investment. Home resale activity was down in the first quarter with the implementation of stricter mortgage rules.

The pace of Canada's household credit growth has slowed. Export growth continued over the first half of 2018, but US and Canada trade uncertainty is a drag on both exports and business investment. Consumer Price Index (CPI) inflation in Canada has risen with higher energy prices, but core inflation measures remain around 2 per cent. The Bank of Canada has raised the overnight rate from 0.5 per cent to 1.5 per cent since mid-2017. The Canadian dollar is projected to remain in the 75–80 US cent range through 2019.

Current Economic Outlook for Nova Scotia

The 2018–19 Budget used the province's economic outlook that was made with data and information up to December 4, 2017. A revised economic forecast was published in the 2017–18 Public Accounts that incorporated data and information up to May 16, 2018 and is reflected in the economic outlook and provincial tax revenue forecast presented in this update. Additional information released after this date is discussed as part of the external outlook, economic performance, and key risk sections, and it will be incorporated into future economic forecasts.

Current Economic Outlook Assumptions

	Budget 2018-19		September Forecast Update	
Per cent change, except where noted	**2018**	**2019**	**2018**	**2019**
Real GDP ($2007 chained)	1.0%	0.8%	0.8%	0.6%
Nominal GDP	2.9%	2.9%	2.8%	2.6%
Compensation of Employees	2.6%	1.6%	2.7%	2.0%
Household Income	2.7%	2.2%	2.6%	2.6%
Household Final Consumption	3.3%	2.4%	3.1%	2.3%
Retail Sales	2.5%	1.7%	2.4%	1.6%
Consumer Price Index	1.7%	2.0%	2.0%	1.9%
Investment in Residential Structures	-2.9%	3.5%	-0.8%	2.2%
Non-Res, Machinery, Intellectual Property	0.8%	2.4%	0.6%	3.9%
Net Operating Surplus: Corporations	3.4%	3.7%	3.3%	3.3%
Net Mixed Income: Unincorporated	1.8%	1.9%	1.9%	2.1%
Exports of Goods and Services	4.3%	3.3%	2.9%	2.9%
Exports of Goods to Other Countries	4.9%	3.4%	5.3%	4.0%
Imports of Goods and Services	2.6%	2.2%	2.1%	2.1%
Population at July 1 (thousands)	957.1	959.5	957.1	959.5
Labour Force (thousands)	491.0	490.1	492.6	493.5
Employment (thousands)	449.3	449.6	453.9	454.5
Unemployment Rate, Annual Average	8.5%	8.3%	7.8%	7.9%

Note: *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.*

The outlook for Nova Scotia's nominal and real GDP growth has been revised downward for 2018 and 2019, reflecting marginally slower growth in consumer expenditures and changes in the timing of government spending and investment. The forecast for nominal GDP growth is 2.8 per cent in 2018 and 2.6 per cent in 2019, with real GDP growing at 0.8 per cent and then 0.6 per cent.

Nova Scotia Economic Performance

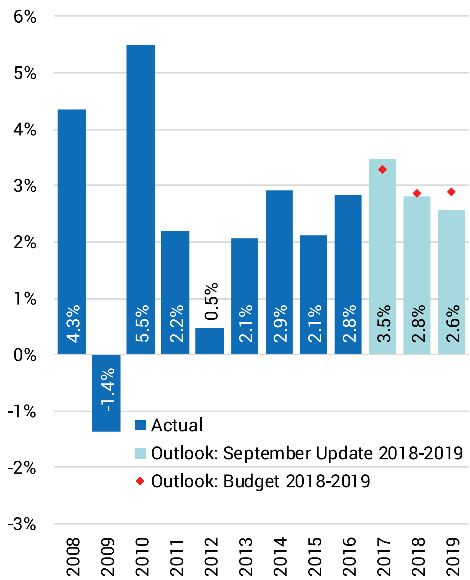
Gross Domestic Product (GDP): The preliminary results for 2017 show that Nova Scotia real GDP, measured at basic prices, increased 1.2 per cent. Nominal GDP is estimated to have grown by 3.5 per cent. Similar paces of real GDP growth were observed over 2014 to 2016. In 2017, construction, manufacturing, and service activity expansion were partially offset by a decline in the oil and gas extraction sector. Nova Scotia's economy has been growing in each year since 2014 after declining in 2012 and 2013.

GDP growth is expected to slow in 2018 and 2019 with the end of some major projects, slower growth in residential and consumer spending, and a further decline in offshore resource extraction. Rising exports, government infrastructure investments, and increasing employment will be supportive of economic growth in Nova Scotia in 2018 and 2019.

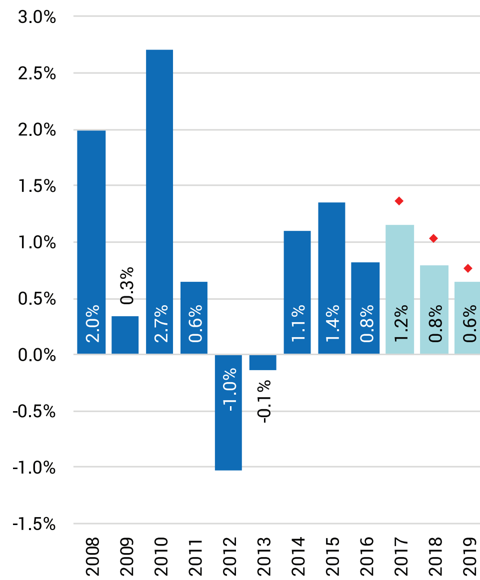
Nova Scotia GDP Growth

(Per Cent Change)

Nominal GDP



Real GDP



Population: Nova Scotia's population has been on an upward track since 2015, rising by over 17,000 persons over the past three years to reach an all-time high of 958,400 in April 2018. Natural population change continues to be negative in the province, but international and interprovincial migration have more than offset these declines.

Labour Market: Improvement in the labour market that began in 2017 has continued into 2018. For the first eight months of the year, the labour force has grown 0.6 per cent and employment has expanded 1.3 per cent with an increase in full-time jobs. The unemployment rate has averaged below 8 per cent during 2018. Relative to growth in 2017, average wage growth has been rising more modestly over the first half of 2018. The total value of compensation for labour, including wages, salaries and employers' social contribution, grew 2.7 per cent during the first half of 2018.

Inflation: The CPI increased 2.3 per cent over the first seven months of 2018 compared to the same period in 2017. Higher energy prices are lifting overall inflation in the province while the CPI excluding energy has risen 1.5 per cent for the first seven months of 2018.

Retail Sales: After strong retail sales in 2017, retail sales growth has moderated. Retail sales in the first half of 2018 have been driven by increases at gas stations with higher gasoline prices and for home-related purchases at furniture, electronics, and building material stores. New motor vehicle sales have fallen around 7 per cent both in terms of units and sales value in the first seven months of 2018.

Construction: Residential investment has increased 5.5 per cent for the first half of 2018 with rising single and rowhome building construction offsetting a decline in apartments. Home renovation activity continues to grow. Non-residential building construction has increased 16.2 per cent in the first six months of 2018 with rising activity mostly in the Halifax commercial subsector.

International Exports: Nova Scotia's exports continue to grow and expand outside the US market. International shipments of merchandise have increased 8.4 per cent over the first seven months of 2018 compared to last year. Rising shipments have occurred in most of the major commodity groups with strength seen in forestry products, rubber products, and metals. Tourism indicators for the first half of 2018 continue to build on the positive results from recent years.

Key Risks

Economic

While the global economy is projected to continue growing, downside risks have become more prominent and potentially disruptive. Financial market disruptions are expected to be limited to specific countries, but wider issues may arise.

Trade protectionism has emerged with the introductions of tariffs and countermeasures between the US and other countries. The outlook of the Canadian economy would be substantially altered under different trade scenarios that could emerge, such as resolution of trade issues lifting confidence, the structure of a new North American Free Trade Agreement agreement, or additional sector-specific tariffs. Further trade barriers are a downside risk to current projections, while trade uncertainty would diminish if new agreements can be reached.

The outlook for the US economy in 2018 is for faster growth which may spill over to greater demand for imports, while the economy may face greater inflationary pressure and a faster tightening cycle from the US Federal Reserve.

Uncertainty remains around the European Union and the United Kingdom economic relationship. The pace of China's economic growth could be slowed depending on the success of reforms, external trade policy, and financial sector vulnerabilities.

Elevated levels of debt among Canadian households, rising interest rates, and mortgage guidelines may slow consumption and housing markets more than anticipated.

Nova Scotia year-to-date indicators for international goods exports and residential investment are tracking better than anticipated as part of the economic outlook and are an upside risk for 2018 if the trends continue through the remainder of the year.

Demographic issues and their influence on the labour market growth will continue to be a key factor in the outlook for Nova Scotia's economy. Sustaining productivity growth, capital deepening and immigration into the economy will be necessary as workers retire.

Revenue

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 forecasted revenues. All factors are subject to change throughout the fiscal year and can contribute to significant variations in revenues. Final personal and corporate income tax assessments for the 2017 taxation year will not be received until the spring of 2019, thereby creating the possibility of prior year adjustments as well as influencing assumptions for the current fiscal year.

Lower forecasts of yield growth for the 2017 and subsequent taxation years could pose significant downside risks for personal income tax revenues.

HST revenues are particularly sensitive to changes in the projected levels of consumer expenditures — which account for more than 70 per cent of HST revenues — as well as the level of residential housing investment expenditures.

The forecast of corporate income tax revenues is highly dependent upon national corporate taxable income, the province's share as well as the small business share of provincial corporate taxable income. Growth in national corporate taxable income was quite strong in the 2016 taxation year but any decline in the future rate of growth can present substantial risks to corporate income tax revenues. In addition, the small business share of taxable income has risen the past few years and any continued increase places downward pressure on provincial revenues.