

**December 15, 2011**

## Overview

The Province of Nova Scotia is forecasting a deficit of \$365.2 million for 2011–2012, a reduction of \$24.3 million from the estimate at budget time. This is the result of lower-than-expected expenses offset by lower-than-expected revenues.

Total revenues, including net income from Government Business Enterprises, are forecast to be \$8.8 billion, a decrease of \$80.1 million from budget. Total expenses including consolidation and accounting adjustments are forecast to be \$9.2 billion, \$104.4 million lower than budget.

## Fiscal Summary Fiscal 2011–2012

(\$ thousands)

	Budget	September Update	December Update	Increase (Decrease) from Budget
<b>GENERAL REVENUE FUND</b>				
<b>Revenue</b>				
Ordinary Revenues	7,771,549	7,756,517	7,681,804	(89,745)
Fees and Other Charges	64,896	66,786	70,500	5,604
Ordinary Recoveries	582,751	584,722	580,239	(2,512)
Sinking Fund Earnings	104,803	104,918	104,758	(45)
<b>Total Revenues</b>	<b>8,523,999</b>	<b>8,512,943</b>	<b>8,437,301</b>	<b>(86,698)</b>
<b>Expenses</b>				
Departmental Expenses	8,344,763	8,319,990	8,301,931	(42,832)
Tax Credits and Rebates	74,943	74,943	74,943	---
Pension Valuation Adjustment	31,761	31,761	31,761	---
Debt Servicing Costs	885,485	835,896	830,343	(55,142)
<b>Total Expenses</b>	<b>9,336,952</b>	<b>9,262,590</b>	<b>9,238,978</b>	<b>(97,974)</b>
	<b>(812,953)</b>	<b>(749,647)</b>	<b>(801,677)</b>	<b>11,276</b>
<b>Consolidation and Accounting Adjustments for Governmental Units</b>				
	<b>68,817</b>	<b>75,873</b>	<b>75,229</b>	<b>6,412</b>
<b>Net Income from Government Business Enterprises</b>				
Nova Scotia Gaming Corporation	112,900	112,900	121,900	9,000
Nova Scotia Liquor Corporation	228,066	228,066	228,066	---
Other Enterprises	13,613	13,613	11,237	(2,376)
	<b>354,579</b>	<b>354,579</b>	<b>361,203</b>	<b>6,624</b>
<b>Provincial Surplus (Deficit)</b>	<b>(389,557)</b>	<b>(319,195)</b>	<b>(365,245)</b>	<b>24,312</b>

**Ordinary Revenue** Fiscal 2011–2012

(\$ thousands)

	<b>Budget</b>	<b>September Update</b>	<b>December Update</b>	<b>Increase (Decrease) from Budget</b>
<b>Provincial Revenue Sources</b>				
Personal Income Tax	1,981,275	2,011,481	2,010,260	28,985
Corporate Income Tax	393,743	411,297	386,968	(6,775)
Harmonized Sales Tax	1,621,243	1,621,243	1,593,424	(27,819)
Tobacco Tax	213,112	206,638	209,961	(3,151)
Motive Fuel Taxes	253,653	253,660	252,841	(812)
Interest Revenues	96,617	70,476	70,211	(26,406)
Registry of Motor Vehicles	110,897	112,405	112,452	1,555
Royalties—Petroleum	110,352	110,352	143,195	32,843
Other Provincial Revenues	285,186	286,207	294,300	9,114
Prior Years' Adjustments	---	(29,543)	(92,518)	(92,518)
TCA Cost Shared Revenue	3,150	3,150	2,857	(293)
<b>Total—Provincial Revenue Sources</b>	<b><u>5,069,228</u></b>	<b><u>5,057,366</u></b>	<b><u>4,983,951</u></b>	<b><u>(85,277)</u></b>
<b>Federal Revenue Sources</b>				
Equalization Payments	1,342,552	1,342,552	1,342,552	---
Offshore Oil and Gas Payments	167,755	167,755	167,755	---
Crown Share	21,666	21,666	21,666	---
Canada Health Transfer	758,947	758,947	759,934	987
Canada Social Transfer	315,047	315,047	315,916	869
Wait Times Reduction Fund	6,840	6,840	6,859	19
Other Federal Sources	16,410	15,958	13,596	(2,814)
C52 Trust Funds	700	700	700	---
Knowledge Infrastructure Program	4,641	4,641	5,218	577
Prior Years' Adjustments	---	---	(436)	(436)
TCA Cost Shared Revenue	67,763	65,045	64,093	(3,670)
<b>Total—Federal Revenue Sources</b>	<b><u>2,702,321</u></b>	<b><u>2,699,151</u></b>	<b><u>2,697,853</u></b>	<b><u>(4,468)</u></b>
<b>Total Ordinary Revenue</b>	<b><u>7,771,549</u></b>	<b><u>7,756,517</u></b>	<b><u>7,681,804</u></b>	<b><u>(89,745)</u></b>

## Revenues

Total revenues, including net income from Government Business Enterprises of \$361.2 million, are forecast to be \$8.8 billion, \$80.1 million less than the 2011–2012 Budget Estimates. This represents a decrease in general revenues of \$86.7 million, and an increase in Net Income from Government Business Enterprises of \$6.6 million. Provincial ordinary revenue sources are down \$85.3 million from the 2011–2012 budget.

Personal Income Taxes are up by \$29.0 million or 1.5 per cent from the 2011–2012 Budget Estimates. Estimates of personal taxable income have been revised upwards by 0.3 per cent in 2011 and 0.6 per cent in 2012. In addition, the expected cost of personal income tax credits has been reduced based upon lower take-up rates.

Corporate Income Taxes are down by \$6.8 million or 1.7 per cent from the 2011–2012 Budget Estimates. Federal estimates of national corporate taxable income have been revised upward. This is offset by the share of taxable income assessed at the province's small business rate rising sharply above budget estimates. In addition, the province's expected share of national corporate taxable income has been revised downward.

Harmonized Sales Tax is forecast to decrease by \$27.8 million or 1.7 per cent from the 2011–2012 Budget Estimates, primarily as the result of downward revisions to the tax base. Consumer expenditures on goods and services accounts for approximately 71 per cent of the province's tax base, and projected growth in this base for 2011 has declined by 1.4 per cent from the Budget Estimates (4.3 per cent to 2.9 per cent). The relative decline in the growth rate of consumer expenditures is in line with forecasts of retail sales. The forecasts for Nominal GDP in both 2011 and 2012 are marginally lower than the Budget Estimates as well.

Tobacco Tax revenues are forecast to decrease by \$3.2 million or 1.5 per cent from the 2011–2012 Budget Estimates. Expected consumption of cigarettes has declined by 1.1 per cent since the Budget Estimates. Cigarettes account for 91 per cent of consumption volume in the forecast. Consumption is on the decline as a result of tobacco price increases and long-term cessation trends.

Motive Fuel Taxes are forecast to be down marginally from the 2011–2012 Budget Estimates — \$0.8 million or 0.3 per cent — reflecting a decrease in the expected level of gasoline consumption (0.5 per cent). This is primarily due to higher retail prices for gasoline relative to the Budget Estimates (\$1.2641 per litre compared to \$1.2398 per litre).

Offshore Royalties are forecasted to increase by \$32.8 million or 29.8 per cent compared to the 2011–2012 Budget Estimates. The increase is primarily as a result of a reduction in the accrual of abandonment costs impacting 2012 royalties. World natural gas prices have declined in 2011 and the trend is expected to continue in 2012. This is offset by a forecasted increase in production and lower cost estimates by the Sable Offshore Energy Project interest holders. No revenues are included for Deep Panuke production at this time.

Interest Revenues are down \$26.4 million from budget, primarily (\$21.4 million) as a result of a reclassification of asset swaps. Decreases in short-term investment income and decreased interest revenues at the Farm Loan Board, Nova Scotia Business Inc., and the Housing Development Corporation also contribute to the decline. The decrease in revenues associated with reclassification of asset swaps is offset by a corresponding decrease in debt service costs.

Revenue at the Registry of Motor Vehicles is expected to be up by \$1.6 million, primarily as a result of higher-than-expected motor vehicle inspections and miscellaneous vehicle registrations.

Other Provincial Revenues are expected to be up by \$9.1 million, primarily as a result of higher-than-expected corporation capital tax (\$8.9 million), EHS recoveries (\$1.2 million), and mineral royalties at the Department of Natural Resources (\$900 thousand). These increases are partially offset by a \$1.0 million decline in Registry of Deeds revenue, \$700 thousand decline in pharmacare premiums, and a \$400 thousand decline in casino win tax.

Prior Year Adjustments from provincial sources are forecast to be -\$92.5 million: -\$24.2 million for Personal Income Tax, -\$61.1 million for Corporate Income Tax, \$2.0 million in Large Corporations Tax, \$5.1 million in Offshore Royalties and -\$14.3 million for Harmonized Sales Tax. The Personal Income Tax adjustment is the result of a lower yield on 2010 personal taxable income than forecasted at the time Public Accounts were prepared. The Corporate Income Tax adjustment is attributable to a reduction in 2010 taxable income.

Overall federal source ordinary revenues are forecast to decline \$4.5 million from the 2011–2012 estimate, mainly as a result of decreased spending on cost-shared capital projects this year.

Equalization and the Offshore Accord Payments are based upon the province's election to receive payments calculated according to the Expert Panel approach, which is a one-estimate, one-payment approach. As a result, the forecast is equal to the Budget Estimates. The province expects to receive a cumulative best-of guarantee payment of \$18.0 million in 2011–2012 pursuant to the clarification reached with the federal government in October 2007.

Federal regulations respecting the Crown Share Adjustment Payment have been finalized and the forecast remains at \$21.7 million.

Canada Health Transfer is forecast to increase by \$1.0 million or 0.1 per cent from the 2011–2012 Budget Estimates based upon revised federal estimates of population.

Canada Social Transfer is forecast to increase by \$0.9 million or 0.3 per cent from the 2011–2012 Budget Estimates based upon revised federal estimates of population.

Prior Year Adjustments from federal sources are -\$0.4 million based upon revised population estimates for open years of the CHT and CST.

Fees and Other Charges are up by \$5.6 million primarily as a result of higher-than-expected fees collected at the Agricultural College and for ambulance services.

Ordinary Recoveries are expected to be down by \$2.5 million. Increases resulted from additional highways work related to third parties (Transportation and Infrastructure Renewal), recovery of payments to Nova Scotia Teacher's Union for benefits and recovery of expenses to school boards (Department of Education), and various other positive changes at several departments. These increases have been offset by the following reductions: reduced recoveries for expansion grants in Housing and Early Learning and Child Care (Community Services); expected changes in Labour Market Agreements, employment, and Occupational Health and Safety recoveries (Labour and Advanced Education); and adjustments to RCMP contract rates (Justice).

### **Net Income from Government Business Enterprises**

Net income from Government Business Enterprises is forecast to be \$6.6 million higher than budget. A \$9.0 million increase at the Nova Scotia Gaming Corporation, which resulted from a delay in implementing the "My Play System," is partially offset by a \$2.4 million reduction at the Highway 104 Western Alignment Corporation, which is the result of accounting changes from IFRS reporting standards, mostly around depreciation.

## Expenses

Total expenses for 2011–2012 including Departmental Expenses, Tax Credits and Rebates, Pension Valuation Adjustment, and Debt Servicing Costs are forecast to be \$9.2 billion, \$98.0 million under budget, primarily due to reduced departmental expenses and debt servicing costs.

### Departmental Expenses Fiscal 2011–2012

(\$ thousands)

	Budget	September Update	December Update	Increase (Decrease) from Budget
Agriculture	61,115	61,862	62,061	946
Communities, Culture and Heritage	55,100	55,100	54,802	(298)
Community Services	985,084	985,084	983,257	(1,827)
Economic & Rural Development & Tourism	125,610	125,610	124,796	(814)
Education	1,135,237	1,135,102	1,131,300	(3,937)
Energy	30,462	30,462	30,165	(297)
Environment	27,582	27,582	27,034	(548)
Finance	36,007	35,955	35,476	(531)
Fisheries and Aquaculture	8,462	8,454	8,366	(96)
Health and Wellness	3,768,259	3,771,237	3,770,043	1,784
Justice	302,036	300,760	300,075	(1,961)
Labour and Advanced Education	345,211	344,085	342,668	(2,543)
Assistance to Universities	384,792	347,880	350,857	(33,936)
Natural Resources	92,845	107,845	108,457	15,612
Public Service	178,938	170,658	167,722	(11,216)
Seniors	1,881	1,881	1,894	13
Service Nova Scotia and Municipal Relations	274,761	273,948	266,915	(7,846)
Transportation and Infrastructure Renewal	420,362	425,466	425,025	4,663
Restructuring Costs	111,019	111,019	111,019	---
<b>Total—Departmental Expenses</b>	<b><u>8,344,763</u></b>	<b><u>8,319,990</u></b>	<b><u>8,301,931</u></b>	<b><u>(42,832)</u></b>

## Departmental Expenses

Total departmental expenses for 2011–2012 are forecast to be \$8.3 billion, \$42.8 million under budget.

The Department of Agriculture is forecasting to be over budget by \$946 thousand primarily due to increases in the Nova Scotia Agricultural College operational expenses, including staff and maintenance costs.

The Department of Community Services is forecasting to be under budget by \$1.8 million. Greater-than-expected spending in Employment Support and Income Assistance and Services for Persons with Disabilities are offset by under expenditures in the Family Services division due to declining caseloads in the Child Welfare Maintenance program and delays in Early Learning and Child Care expansion projects.

The Department of Economic and Rural Development and Tourism is forecasting to be under budget by \$814 thousand due to operational efficiencies. The Department expects that their current authorized spending limit will be sufficient to manage the current year impact of the \$25.0 million loan program being provided to Bowater Mersey.

The loan program will be paid out as costs are incurred by the company, which is expected to be over the remainder of this fiscal year and next year.

The Department of Education is forecasting to be under budget by \$3.9 million due to a combination of a delay in the dust collector repairs initiative and an adjustment to school amortization to reflect delayed opening dates for two new schools. This is offset by an increase in the Mi'kmaw Kina'matnewey grants to school boards.

The Department of Health and Wellness is over budget by \$1.8 million due to several program variances. The department is forecasting to be over budget in Capital Grants, Home Care Services, Pharmaceutical Services, and Medical Payments and under budget in Long Term Care.

The Department of Justice is forecasting to be under budget by \$2.0 million as a result of salary savings. This is partially offset by increased operational spending.

The Department of Labour and Advanced Education is forecasting to be under spent by \$2.5 million primarily due to decreased spending for Labour Market Agreement Programs, which is offset by reduced federal recoveries and also due to administrative efficiencies.

Assistance to Universities is forecasting to be under budget by \$33.9 million due to the 2011–2012 operating grant payments made to two universities in the 2010–2011 fiscal year, offset by recently announced assistance to the Nova Scotia College of Art and Design of \$2.4 million.

The Department of Natural Resources is forecasting to be over budget by \$15.6 million due to planned measures to mitigate the economic impact caused by the shutdown and proposed sale of the Port Hawkesbury paper mill. The measures are intended to maintain critical capacity and forest management services to facilitate the potential sale and subsequent re-startup of mill operations. The total expected cost is \$20.0 million; \$6.0 million will be funded in the Department of Economic Development and Tourism for required retraining.

The Department of Service Nova Scotia and Municipal Relations is forecasting to be under budget by \$7.8 million primarily due to lower-than-anticipated spending for the Building Canada Fund.

The Department of Transportation and Infrastructure Renewal is projecting to be over budget by \$4.7 million primarily due to the ongoing work related to the damage inflicted by storms in late 2010 and increased third-party, recoverable maintenance work. These increases were partially offset by operational savings.

### **Public Service**

The Treasury Board Office is transferring \$6.0 million from the Innovation Fund to Tangible Capital Assets (TCA) to fund approved capital projects for Service Nova Scotia and Municipal Relations, Finance, Chief Information Office, and health-related initiatives.

Nova Scotia Business Inc. (NSBI) is forecasting savings of \$5.4 million due to a reduction in payroll rebate payments through the Strategic Investment Fund.

The Chief Information Office is forecasting savings of \$0.7 million due to a reduction in both amortization and operational expenses.

The Public Prosecution Service is forecasting to be over budget \$1.6 million primarily related to salary and operational pressures.

## Forecast Update

### Gross Debt Servicing Costs

Gross Debt Servicing Costs are forecast to drop by \$55.1 million to \$830.3 million. Of this reduction, \$21.4 million results from reclassifying asset swaps which is offset by the reduction in interest revenue as previously noted. The remaining \$33.7 million is primarily due to favourable interest rate movements.

### Pension Valuation Adjustment

The Pension Valuation Adjustment remains unchanged from budget. Revised actuarial assumptions are expected in the new year and could result in revised expectations in future forecasts.

## Capital Spending Forecast Fiscal 2011–2012

(\$ thousands)

	Budget	Forecast	Variance
Highways	265,000	255,000	(10,000)
Buildings	146,682	136,624	(10,058)
Information Technology	38,645	39,791	1,146
Land and Land Improvements	8,000	33,000	25,000
Vehicles and Equipment	19,568	20,418	850
Total Departmental	477,895	484,833	6,938
Capital Grants	82,105	88,454	6,349
<b>Total Capital Program</b>	<b>560,000</b>	<b>573,287</b>	<b>13,287</b>

### Tangible Capital Assets (TCA)

The province is forecasting to be over budget on TCA spending by \$7.0 million primarily due to a \$25.0 million increase in cost associated with the land purchase for the Bowater Mersey investment. This increase is partially offset by reduced capital spending in other areas of government: Transportation and Public Works is down \$10.0 million because of weather-related construction delays, and Education is down \$5.0 million because of delays in new school construction.

### Capital Grants

The province is forecasting to be over budget on capital grant spending by \$6.3 million. This is primarily due to additional grant funding for the Department of Health and Wellness to address funding needs for emergency equipment and infrastructure.



## Economic Performance and Outlook – 2011 and 2012

The province's outlook is brighter over the medium to long term, but there are domestic and external factors that affect growth in the short run. Since the preparation of the 2011–2012 Provincial Budget economic assumptions, new information has emerged that alters the province's economic outlook. The December Forecast Update incorporates new events, data, and assumptions up to November 29, 2011. The Department of Finance now expects 1.4 per cent real GDP growth in 2011 (4.1 per cent nominal), and 1.7 per cent real GDP growth in 2012 (3.5 per cent nominal).

### External Conditions

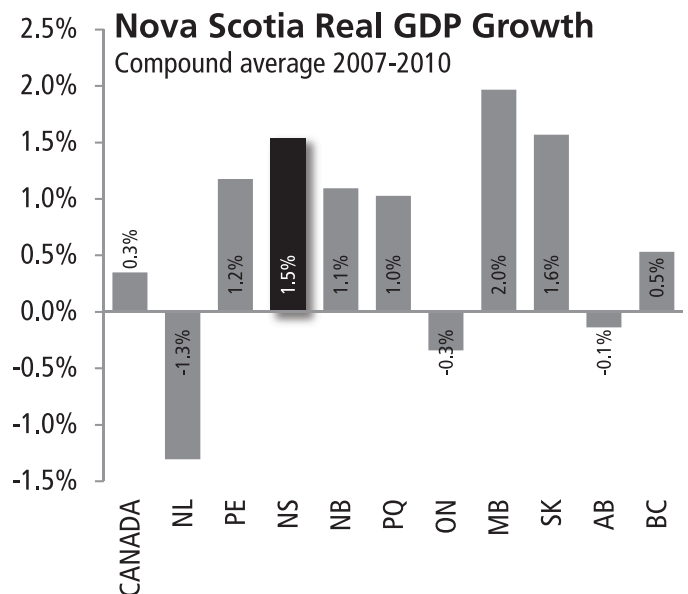
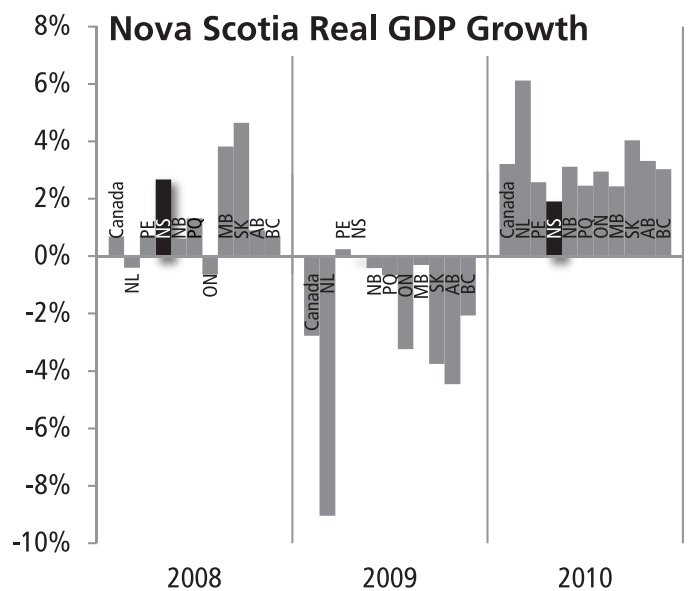
Global economic conditions can have a significant influence on Nova Scotia, through international trade and financial markets. The global outlook is clouded by unresolved fiscal issues in Europe. Failure to resolve European sovereign debt problems in an orderly fashion could spill over into the financial sectors in North America.

Despite threats from Europe, the latest US and Canadian GDP figures have been robust. Higher growth in the US (2.0 per cent) and Canada (3.5 per cent) for the 3rd quarter partly reflected a reversal of several temporary factors constraining growth in the first half of the year. Canadian employment has recovered beyond peaks observed before the recession, and corporate balance sheets are robust. Even US employment and consumer spending are growing though not yet recovered to pre-recession trends. However, the US housing market shows few signs of recovery and remains a headwind for US growth over the medium term.

Inflation throughout industrialized countries has been elevated for much of 2011. The Bank of Canada expects that these are one-time shifts in relative energy and food prices that do not suggest persistent inflationary pressures. Risks to the Canadian economy continue to be mainly external. The main internal risks include household indebtedness and the potential for a housing price correction.

### Provincial Economic Performance

Nova Scotia's economy performed relatively well in 2008 and 2009, but in 2010 did not experience the same recovery as provinces more severely affected by the recession.



Nova Scotia's employment has been relatively steady over the past four years, but there has also been considerable monthly volatility. Since 2008, Nova Scotia's employment has fluctuated around an average of 451,000–452,500; gains in one month are offset by losses in another. Over the first 11 months of 2011 employment was down 0.2 per cent compared to the same period last year and the average unemployment rate was down to 9.0 per cent. Nova Scotia's unemployment rate remains the lowest in Atlantic Canada.

Labour income continues relatively strong growth increasing by 3.6 per cent through the first three quarters compared with the same period in 2010. Retail sales advanced 4.6 per cent in 2010 and year-to-date retail sales are up 3.1 per cent.



Through October, the year-to-date average consumer price index was up 3.9 per cent in Nova Scotia compared to 3.0 per cent for Canada. Nova Scotia inflation exceeded the national average partly due to household energy products like fuel oil, which Nova Scotians use in greater quantities than other Canadians, and electricity.

Construction activities have sustained their strong growth through 2011. Investment in non-residential building construction (notably institutional and commercial) increased 7.2 per cent in the first three quarters of 2011 compared to the same period last year. Residential construction (especially apartments and conversion spending) is up 1.6 per cent. Both residential and non-residential construction investments are stronger than expected in the budget assumption.

The province's manufacturing output rebounded through the first 10 months of 2011, growing by 12.4 per cent compared with the same period in 2010. Manufacturing output for the last quarter of 2011 may struggle to match this pace without the output from the idled NewPage paper mill. The latest estimates suggest the value of natural gas exports have stabilized in the first nine months of 2011 after falling substantially in 2010. Production at the Deep Panuke platform is expected to begin in early 2012, but is not expected to fully offset the Sable production decline.

### Provincial Economic Outlook

Businesses and households can be reluctant to make economic decisions in the face of uncertainty. Global risks can be just as significant as domestic conditions when considering such decisions, whether in Nova Scotia, Canada, or the rest of the world. Business reluctance to

hire and invest is a global phenomenon and economic forecasts throughout industrialized countries have been revised down in recent months.

Like many other provinces and countries, Nova Scotia's short-term economic outlook has been diminished as a result of these global uncertainties. The effect of external anxieties on Nova Scotia's economy may be amplified by significant structural problems in the paper sector as well as slower government program spending. In the short run, these negative influences on the economy may be somewhat offset by the province's enhanced capital spending plan and the Deep Panuke gas project (expected to begin shipments in 2012).

On balance, the Department of Finance has moderated its short-term forecast and now expects slower real GDP growth in 2011, falling to 1.4 per cent growth from 1.9 per cent. The outlook for 2012 is also muted, falling from 1.9 per cent to 1.7 per cent. In comparison, the latest consensus forecast for Nova Scotia's Real GDP in 2011 (December 7, 2011) ranges from 1.0 per cent to 2.0 per cent with an average of 1.5 per cent. The latest consensus forecast for Nova Scotia's Real GDP in 2012 ranges from 1.2 per cent to 2.0 per cent with an average of 1.7 per cent.

Employment growth is now expected to be negative for 2011, with little change in unemployment rates compared with 2010. Labour income is still projected to rise, but personal income and retail sales growth will be limited by employment declines. Although employment results are expected to improve in 2012, personal income and retail sales growth are forecast to remain modest in the short term.

Real GDP, \$2002 (% Change)	2011		2012	
	Budget	Latest Update	Budget	Latest Update
Canada	2.9	2.2 ↓	2.8	2.1 ↓
Newfoundland	3.0	4.9 ↑	0.2	0.8 ↑
Prince Edward Island	1.7			
Nova Scotia	1.9	1.4 ↓	1.9	1.7 ↓
New Brunswick	1.5	1.2 ↓	2.2	
Québec	2.0	1.6 ↓	2.2	1.6 ↓
Ontario	2.4	1.8 ↓	2.7	1.8 ↓
Manitoba	2.7	2.2 ↓	2.7	2.4 ↓
Saskatchewan	4.2	3.1 ↓	2.8	2.7 ↓
Alberta	3.3		3.2	
British Columbia	2.0	2.0	2.6	2.3 ↓

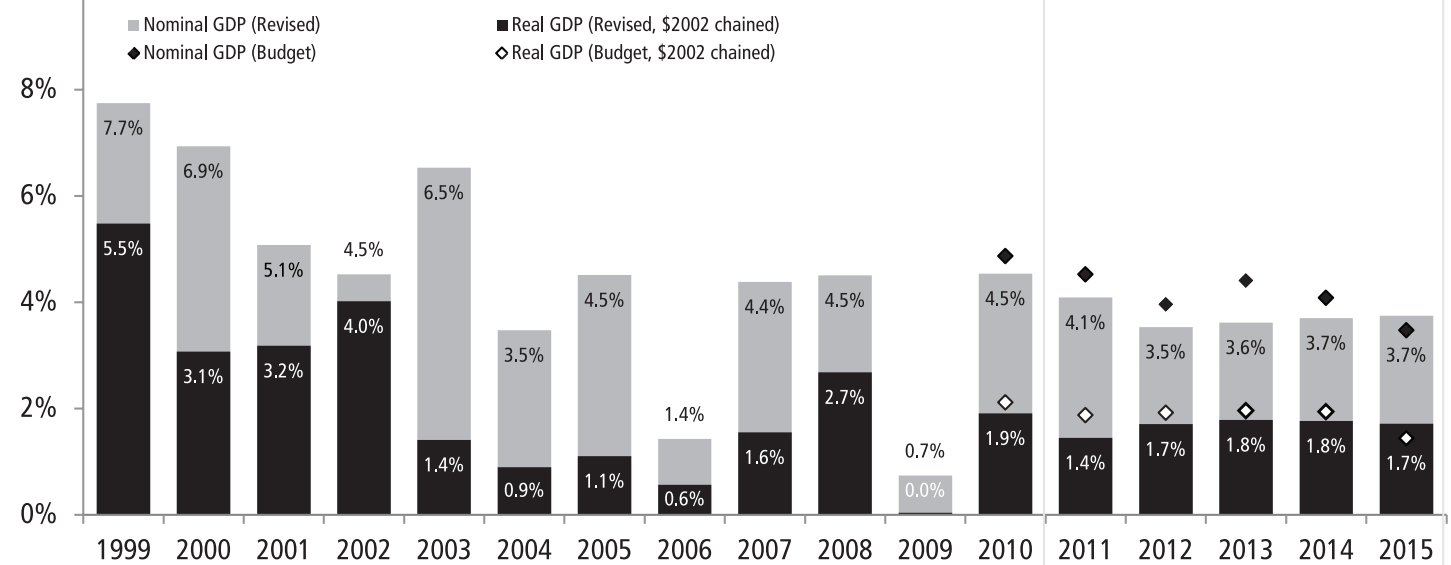
	2011		2012	
	Budget	December Update	Budget	December Update
Real GDP, \$2002 (% change)	1.9	1.4	1.9	1.7
Nominal GDP, (% change)	4.5	4.1	4.0	3.5
Employment (% change)	0.8	-0.3	1.0	1.1
Unemployment Rate (% change)	8.3	9.2	7.3	8.6
Personal Income (% change)	3.3	2.6	3.7	2.9
Consumer Price Index (% change)	2.1	3.9	2.0	1.8
Retail Sales (% change)	4.5	3.4	4.1	3.1
Corporation Profits before Taxes (% change)	6.2	4.6	4.4	3.1
Export of Goods and Services (% change)	6.2	8.5	4.6	5.0

Once Nova Scotia has weathered short-run uncertainty, the outlook for the provincial economy is more positive in the medium to long term. The announcement of the combat vessel construction offers stability for employment, income, and production through the next few decades. By this time, the hard work of returning federal and provincial budgets to balance will be completed and governments will have increased flexibility in fiscal planning. There are a number of other major projects that could further stimulate investment and employment in Nova Scotia, such as the Lower Churchill development and the Donkin coal mine. The Department of Finance does not incorporate major projects into the

fiscal planning assumptions until they have sanction from proponents and financiers, so these projects are always an upside risk to the medium-term economic forecast.

The expected benefits of the shipyard project are incorporated in this forecast, but they are not expected to improve Nova Scotia's growth rates above their long-run average until the project reaches peak production toward the end of the decade. Over the medium term, Nova Scotia's growth prospects are expected to improve with stabilization in the forest sector, easing of global uncertainty, ongoing capital spending for the shipyard, and governments returning to balance.

### Nova Scotia Economic Outlook



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**[www.gov.ns.ca/finance](http://www.gov.ns.ca/finance)**

