FORECAST UPDATE

December 18, 2025

NOVA SCOTIA

The Honourable John Lohr
Minister of Finance and Treasury Board

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Introduction

The Forecast Update provides 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 in February 2025.

Relative to the 2025–26 Budget Estimates, the deficit is expected to increase. The Province of Nova Scotia is forecasting a deficit of $1.29 billion before contingency - an increase of $592.5 million from Budget's deficit position of $697.5 million. The change is attributed to expenses increasing by $721.6 million and revenues increasing by $144.3 million. Higher expenses are primarily driven by utilization pressures at the Department of Health and Wellness. The Forecast Update also reflects a significant accounting adjustment for long-term care loans receivable, resulting in $579.5 million in loans now becoming Tangible Capital Assets and part of the Capital Plan. Decreases in interest revenues and increases in net expenses increased the deficit by $61 million.

The government has consistently invested in supporting Nova Scotians. These investments have improved access to health care, made life more affordable, and planted the seeds for economic growth. We will continue to make our spending decisions through the upcoming budget process carefully, with an eye toward affordability for Nova Scotians and protection for front-line services.

Health Investments

Since its beginning, this government has focused on health care. Investments in health, mental health and seniors grew from $5.1 billion in 2021–22 to $8.3 billion this year. These investments are producing results for Nova Scotians.

According to the latest Action for Health data:

- The number of new doctors coming to the province is up 80 per cent.
- Nurse practitioners are up 390 per cent.
- Registered nurses are up 260 per cent.

These investments are resulting in increased recruitment, which is shrinking the Need a Family Practice waitlist. From January 2025 to now, government has decreased the list from 110,000 to 68,490 - 6.5 per cent of the population.

Affordability

Government has also made significant investments to make life more affordable for all Nova Scotians while supporting those who need it most.

In the most recent budget, the government introduced more than $500 million in tax-saving measures by reducing the HST and changing income taxes so more Nova Scotians will pay less. These measures are expected to save the average Nova Scotian family over $1,000 this year. The government also removed tolls for Nova Scotians on the Cobequid Pass and Halifax bridges, making travel cheaper and easier for many commuters.

Investing in Housing

Nova Scotia is seeing record levels of investment in housing. Government's housing plan helped double the vacancy rate, with more housing on the way. This helps alleviate market pressures and makes housing more affordable. Government's first-of-its-kind housing plan continues to deliver exceptional results: more than 68,000 people and families are closer to accessing housing.

The government didn't just meet the targets set out in its plan—they exceeded them, achieving 167 per cent of the five-year goal in just the first two years. We have met or exceeded most targets in our housing plan just two years in.

Housing starts are up 168 per cent (January 2023–October 2025), and Halifax housing completions are up 5.5 per cent (January–October 2025). In the last three months alone, government announced over 20,000 units from Yarmouth to Cape Breton, with more to come.

This government has invested significantly in the community housing sector, creating and preserving more than 3,000 affordable housing units.

Helping Families

Government recognizes that some Nova Scotians need more of a hand up than others. That's why there is increased support for people on Income Assistance and the minimum wage was raised twice in 2025, and will go up twice in 2026, reaching $17 an hour in October 2026.

Government increased community housing investment tenfold and quadrupled investment in the rent supplement program alone, helping 12,000 Nova Scotians last year. Government is also building new, deeply affordable public housing units for the first time in 30 years.

Government is also helping families live more affordably. The School Lunch program is now offered in 334 schools, with a pay-what-you-can model so it is accessible to all who need it.

For families with post-secondary students, government froze tuition until 2027 and supported students entering skilled trades with reduced fees, bursaries, tool grants, and mentorship incentives. Government is doing the same for students entering health care, continuing care, and disability support with free or reduced tuition, bursaries, and increased training opportunities.

These supports are in addition to the Nova Scotia bursary, which gives all Nova Scotians enrolled at a provincial university $1,283 per year. Last year alone, this helped more than 20,000 students while saving nearly $1.7 million in textbook costs.

Supporting Seniors

This government respects and recognizes the contributions that older Nova Scotians have made to our province and works to support them. The Seniors' Care Grant has helped more than 135,000 seniors with costs such as snow removal, heating, medication, and grocery delivery since 2021.

This is in addition to:

- More than 40,000 Nova Scotians receiving home care services and community supports through government funding, ensuring access regardless of income.
- The Property Tax Rebate for Seniors, helping low-income seniors paying municipal property taxes.
- Providing seniors with equipment such as wheelchairs, home lifts, and oxygen at no cost.

Growing The Economy And Good-Paying Jobs

These investments were made alongside a stronger focus on economic growth and responsible resource development.

Nova Scotia can be both an economic powerhouse and an energy superpower. From Wind West to critical minerals, government is unlocking Nova Scotia's untapped potential. This means good jobs, stronger communities, and more opportunities right here at home. A growing economy helps fund essential investments in health care, highways, and housing.

This government's trade efforts go beyond Canada. Diversifying into new markets in Europe and Asia helps our businesses compete globally. Nova Scotia already exports to more than 150 countries—the most in Atlantic Canada—representing 17.5 per cent of the provincial economy. Government wants that number to grow.

Growing the economy is vital because the best way to lift Nova Scotians is with good jobs and opportunities here at home. This government is creating more opportunities in key workforce sectors such as clean energy, health care, and construction. Unlocking natural resource potential also creates thousands of well-paying, high-skill jobs across the province. For example, a new gold mine in Guysborough County is expected to create 735 jobs each year and contribute $2.1 billion to the economy over the life of the project, while Wind West could bring tens of billions in investment.

This government plans to continue growing the economy and creating good-paying jobs by:

- Responsibly developing resources.
- Growing and establishing new trade relationships for world-class products such as seafood and blueberries.
- Harnessing Wind West, which can produce enough energy to meet a quarter of Canada's total demand, attract billions in investment, and create thousands of jobs.
- Expanding uses for locally produced wood and supporting new supply chains, including using wood to heat and construct public buildings.
- Continuing to streamline approvals without increasing environmental risk.

Making It Easier To Do Business

Nova Scotia is open for business. From large-scale sector investment to locally owned small- and medium-sized businesses, government is helping companies succeed. This government believes in Wind West and is working to unlock tens of billions of dollars in private investment. The federal government also recognizes this potential.

Government has streamlined and clarified approval processes for industrial projects without weakening environmental protections. Quarries are expanding across the province to supply high-quality aggregate, and government recently approved the new gold mine in late August 2025.

This government is also supporting small and local businesses with tax cuts that make it easier for them to grow and reinvest in their operations and workforce. Through Nova Scotia Loyal, government is keeping local dollars with local producers and suppliers.

Since 2021, government has helped save businesses over $21 million by cutting red tape, removing regulatory burdens, and improving services. Nova Scotia earned the highest score from the Canadian Federation of Independent Business in 2025, leading all provinces and territories in removing internal trade barriers.

Fiscal Planning

A significant accounting adjustment made in the 2024–25 Public Accounts also impacts 2025–26. 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 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). This Forecast Update reflects that change: the mortgages are no longer treated as loans, interest revenue and grant expenses are removed, and the facilities are now included as TCA.

There is ongoing economic uncertainty and a weaker global economy. The tariff landscape continues to evolve. The Province has revised its tariff assumptions accordingly. It is assumed that CUSMA-compliant goods will continue to be exported tariff-free to the United States. However, since the Budget, China has announced tariffs on several Canadian products, including seafood, effective March 20, 2025. It is assumed these tariffs will remain in place.

To address risks, the Province has introduced a $200 million contingency in its fiscal plan to account for potential impacts from tariffs, unexpected economic changes, or emergencies. To date, this contingency has been drawn down by $24.9 million, to reflect the impact of wildfires and drought.

This Forecast Update shows that the Government remains focused on the priorities laid out in Budget 2025–26. These include more than $500 million in tax reductions to improve affordability, saving the average Nova Scotian family more than $1,000 this year. The largest-ever capital plan supports jobs across the province and invests in vital infrastructure for the future, including hospital redevelopment, public housing, schools, and highways. Government continues to lay the foundations for major resource and energy projects that will strengthen the economy and create prosperity for generations to come.

Overview

The Province of Nova Scotia is forecasting a deficit of $1.29 billion. This is an increase of $592.5 million from the budgeted deficit in the 2025–26 Budget Estimates.

Total Revenue, including Ordinary Revenue, Ordinary Recoveries, and Net Income from Government Business Enterprises (GBEs), is forecast to be $16.6 billion or $144.3 million higher than Budget Estimates.

Forecast changes in Ordinary Revenue include increases of $53.4 million in Tax Revenue, $57.5 million in Federal Sources Revenue and $11.1 million in Other Provincial Revenue, which are partially offset by a decrease of $65.0 million in Investment Income.

Ordinary Recoveries revenue is forecast to increase by $87.2 million from Budget. Net Income from GBEs is expected to be $0.2 million higher than Budget.

Total Expenses are forecast to be $18.3 billion, an increase of $721.6 million from the Budget Estimates. Expenses are predicted to be higher due to projected increases in Departmental Expenses of $718.7 million, $15.9 million in higher Refundable Tax Credits, higher Debt Servicing Costs of $12.1 million, partially offset by a reduction in Pension Valuation Adjustment of $25.0 million.

Consolidation and Accounting Adjustments positively impact the bottom line by $350.4 million, which is $15.2 million lower than budgeted.

Fiscal Summary 2025–26

($ thousands)

General Revenue Fund	Budget	September Update	December Update	*Increase (Decrease)* from Budget	*Increase (Decrease)* from Sept
Revenues					
Ordinary Revenue	14,970,232	14,860,093	15,027,169	56,937	167,076
Ordinary Recoveries	1,069,950	1,135,180	1,157,133	87,183	21,953
Net Income from Government Business Enterprises	465,447	465,447	465,663	216	216
Total - Revenue	**16,505,629**	**16,460,720**	**16,649,965**	**144,336**	**189,245**
Expenses					
Departmental Expenses	16,495,153	16,989,292	17,213,845	718,692	224,553
Refundable Tax Credits	147,960	143,914	163,836	15,877	19,923
Pension Valuation Adjustment	17,079	17,079	(7,923)	(25,002)	(25,002)
Debt Servicing Costs	908,509	921,389	920,577	12,068	(812)
Total - Expenses	**17,568,701**	**18,071,674**	**18,290,336**	**721,635**	**218,662**
Consolidation and Accounting Adjustments for Governmental Units	365,573	385,550	350,412	(15,161)	(35,138)
Provincial Surplus (Deficit) Before Contingency	**(697,499)**	**(1,225,404)**	**(1,289,959)**	**(592,460)**	**(64,554)**
Contingency	(200,000)	(200,000)	(175,100)	24,900	24,900
Provincial Surplus (Deficit) After Contingency	**(897,499)**	**(1,425,404)**	**(1,465,059)**	**(567,560)**	**(39,654)**

Economic Performance and Outlook

Before receiving the results of actual tax revenues collected, the province relies on economic forecasts and statistical relationships with historical administrative data to estimate tax revenues.

External Outlook

Global Economy: Global economic activity remained steady in 2024 as monetary policy eased among major economies and inflationary pressures moderated. Growth in 2025 has been volatile, largely because of trade disruptions and geopolitical tensions. Front-loading imported goods by businesses and households in the first half of the year provided a temporary boost to exporting nations, but its effects have reversed in the second half of 2025. The International Monetary Fund (IMF) expects global headline inflation to slow to 4.2 per cent in 2025 and 3.7 per cent in 2026. Global economic growth is expected to slow to 3.2 per cent in 2025 and to 3.1 per cent in 2026.

Europe: Economic growth in the Euro Area is expected to recover gradually, with easing financial conditions and growing domestic demand outweighing near-term uncertainty and higher tariffs. The IMF projects that real GDP growth in the Euro Area will accelerate to 1.2 per cent in 2025 and 1.1 per cent in 2026. Euro Area inflation has continued to slow, reaching 2.1 per cent year-over-year in October of 2025. Europe's inflation is expected to be in line with the central bank's medium-term 2 per cent target. The European Central Bank has eased interest rates over the last year but left its three key interest rates unchanged in October.

China: The IMF expects Chinese economic activity to continue to moderate, to 4.8 per cent growth in 2025 and 4.2 per cent in 2026. China's economic activity was above expectations in early 2025 as trade activity increased ahead of American tariffs. Subsequent declines are expected to be partially offset by a recovery in inventory accumulation, supported further by fiscal expansion. The outcome of ongoing trade negotiations and the overall impact of tariffs remains uncertain. A prolonged property market slump and sluggish domestic demand growth are also expected to weigh on growth. The People's Bank of China has kept lending rates at record lows since May 2025.

United States (US): US real GDP growth is projected to be 1.8 per cent in 2025 as loosening financial conditions are offset by cooling domestic demand, lower immigration, and ongoing tariff policy impacts. Labour markets have begun to show signs of weakness while the unemployment rate crept up in 2025. US real GDP growth is expected to remain slow at 1.8 per cent in 2026. US inflation was 3.0 per cent year-over-year in September 2025. The US Federal Reserve continued monetary easing in December, cutting the target for the federal funds rate another 25 basis points to 3.5 - 3.75 per cent.

Canada: Canada's real GDP expanded 1.5 per cent in the first nine months of 2025. Although real GDP contracted by 1.8 per cent (seasonally adjusted annualized rate) in Quarter 2, it rebounded with a 2.6 per cent gain in the third quarter. Economic growth in 2025 has been heavily influenced by tariff-distorted trade activity, with strong export growth preceding tariff deadlines, followed by significant contractions. Population growth and household consumption are expected to slow in 2025 as a result of government policies aimed at reducing the inflow of newcomers. Canada's labour market conditions have softened in the first ten months of 2025, as employment has not kept up with labour force growth. There have been layoffs in trade-sensitive aluminum, steel and auto industries, while other sectors report more modest layoffs. The Canadian unemployment rate was 6.9 per cent in October 2025, with job vacancies returning to pre-pandemic levels and earnings growth slowing. With a soft labour market, national wage growth has slowed, with average weekly earnings rising 3.1 per cent through October.

Canada's headline inflation rate was 2.2 per cent in November 2025, with inflation averaging at or around the Bank of Canada's 2.0 per cent target for much of 2024 and most of 2025. The Bank of Canada has cut its interest rate twice since March, dropping its target for the overnight interest rate to 2.25 per cent as of October. Canada's economic outlook remains uncertain due to global trade policy shifts. Under current measures Canada's real GDP is expected to grow 1.2 per cent in 2025 and 1.3 per cent in 2026.

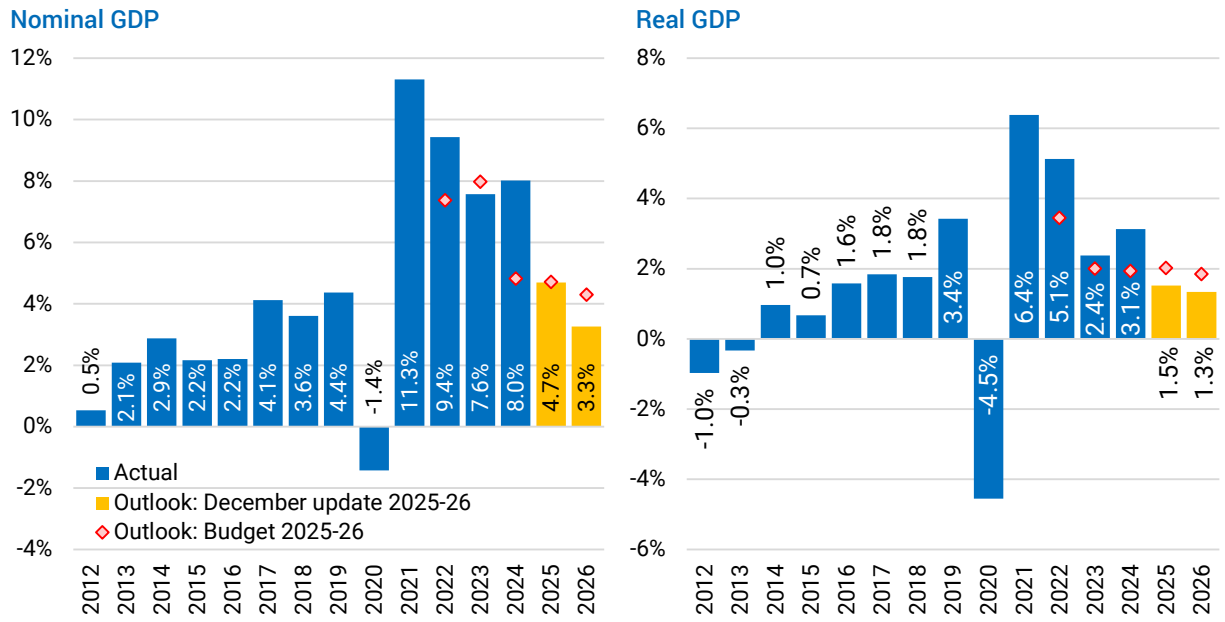
Current Economic Outlook for Nova Scotia

The Department of Finance and Treasury Board has revised its economic and demographic outlooks, incorporating information and data released through November 6, 2025. The economic outlook incorporates data and events from 2024 released on or before this date, however some of the economic analysis refers to more recently released data.

Statistics Canada has released revised GDP data for Nova Scotia for 2022 and 2023, and the first estimates of 2024. Real GDP growth in 2022 was revised up to 5.1 per cent (nominal GDP: 9.4 per cent). In 2023, real GDP was revised up to 2.4 per cent (nominal GDP revised down: 7.6 per cent). Real GDP grew 3.1 per cent in 2024, while nominal GDP was up 8.0 per cent. In the revised economic outlook, real GDP is now expected to grow 1.5 per cent in 2025 and 1.3 per cent in 2026. Nominal GDP is projected to grow 4.7 per cent in 2025 and 3.3 per cent in 2026. Inflation is expected to remain within the Bank of Canada's target range.

Nova Scotia 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); Nova Scotia Department of Finance and Treasury Board projections

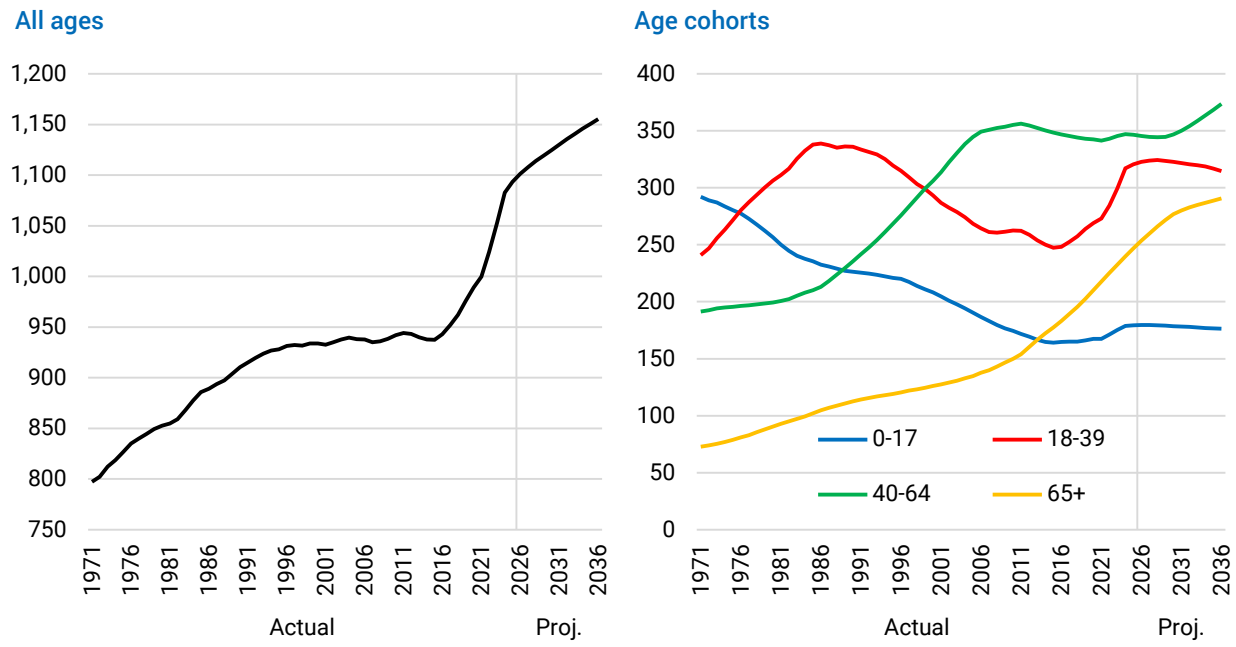
Consumer spending, tax cuts, residential and government investment, and slowing inflation have all supported Nova Scotia's economic growth in 2025. Household consumption is forecast to grow 5.4 per cent in 2025 before slowing to 4.0 per cent in 2026. Residential investment is expected to grow 7.8 per cent in 2025 while non-residential investment growth is projected to slow to 4.2 per cent. Exports of goods and services are expected to grow 3.1 per cent in 2025 as international goods exports and tourism remain weak. Exports are projected to pick up to 4.4 per cent growth in 2026 as the economy adjusts to trade policy changes. Imports of goods and services are forecast to grow 5.8 per cent in 2025 before slowing to 3.8 per cent in 2026 as household consumption growth slows.

Population: Nova Scotia's population grew 1.0 per cent in 2025, adding 10,476 people between July 1, 2024 and July 1, 2025. Population growth in 2025 has slowed from the notable pace recorded in each of the three years prior, but continues to support a growing labour force in Nova Scotia.

Finance and Treasury Board has updated its population projections to incorporate the latest annual results, as well as revised federal policies for immigrants and non-permanent residents. In the updated projections, population growth is forecast to slow 0.7 per cent in 2026 and 0.6 per cent in 2027, slowing to around 0.5 per cent per year over the next ten years. Slower population growth is expected to result in weaker labour force (0.5 per cent) and employment growth (0.4 per cent) in 2026. Nova Scotia's unemployment rate is projected to be largely unchanged at 6.7 per cent in 2026.

Nova Scotia Population Growth

(thousands as of July 1)



Recent Economic Performance

Labour Markets: Nova Scotia's labour market growth has slowed in 2025. In the first eleven months of 2025, labour force and employment growth slowed to 0.7 per cent and 0.6 per cent respectively, which raised the average unemployment rate by 0.1 percentage point to 6.6 per cent. The job vacancy rate was 3.1 per cent in September 2025.

Income: Average weekly earnings rose 5.1 per cent in the first eleven months of the year compared to the same period of 2024. Total compensation of employees, combining growth in wages and employment, was up 4.3 per cent in the first three quarters of 2025, compared to the same period of 2024. In the first half of 2025, Nova Scotia's household income was up 4.8 per cent compared with the first half of 2024.

Consumption: Nova Scotia's retail sales increased 3.5 per cent in the first nine months of 2025, compared to the same period in 2024. Growth in retail trade was fastest in motor vehicles and parts, clothing stores, appliances and electronics, and health and personal care. Total household consumption in Nova Scotia was up 5.8 per cent through the first half of 2025.

Prices: Nova Scotia's inflation has accelerated in recent months, with upward pressure from shelter prices and the offsetting energy price decline abating. The removal of the consumer carbon price and lower oil prices have pushed down energy prices so far in 2025. Inflation averaged 2.0 per cent in the first eleven months of 2025, with a year-over-year pace of 2.4 per cent in November after a 3.1 per cent decline in energy prices, a 3.4 per cent rise in food prices, and a 4.2 per cent rise in shelter costs.

Investment: Residential building construction continued to grow in the first nine months of 2025 rising 10.2 per cent with notable growth in Halifax (+18.0 per cent). Growth continues to be concentrated in multiple unit buildings, but construction of single unit buildings was also up over this period. After posting the fastest pace of housing starts since the 1980s in 2024, Nova Scotia's housing starts have grown 26.1 per cent in the first ten months of 2025. Non-residential building construction rose 20.8 per cent in January-September 2025 compared to January-September 2024, with gains outside the city outpacing gains in Halifax. Growth has been concentrated in institutional and government buildings, with smaller growth for commercial and industrial buildings. Overall business sector capital investment rose 3.4 per cent in Q1-Q3 2025 compared to the same period of 2024.

Exports: Nova Scotia's international goods exports declined 0.05 per cent over January-September 2025 when compared to January-September 2024. The US and China continue to be Nova Scotia's largest export destinations. Exports to the US increased 0.1 per cent in the first nine months of the year. Exports to China were down 26.8 per cent after the imposition of tariffs on seafood products. Exports to the European Union increased 23.6 per cent. Seafood exports were down 6.0 per cent over this period due to lower shipment values for lobster and scallops, partially offset by increased exports of crab, shrimp, eel and halibut. Tourism picked up later in the 2025 season, as more visitors from Québec and Atlantic Canada offset fewer tourists from the US and Ontario. With new international routes through Halifax Stanfield International Airport, overseas visitors have grown 4 per cent in January-September 2025 compared to the same period in 2024. Air travel is expected to recover to pre-pandemic normals after 2026, while road visitors are expected to take more time to recover owing to recent developments in US-Canada relations.

Current Economic Outlook Assumptions

	Budget 2025-26		December update	
Per cent change, except where noted	**2025**	**2026**	**2025**	**2026**
Real GDP ($2017 chained)	2.0	1.8	1.5	1.3
Nominal GDP	4.7	4.3	4.7	3.3
Compensation of Employees	6.1	4.7	5.6	3.9
Household Income	5.5	4.3	5.0	3.6
Household Final Consumption	5.3	4.3	5.4	4.0
Retail sales	5.3	4.7	3.3	3.3
Consumer Price Index (all-items)	2.2	2.0	2.0	2.0
Residential Investment	7.7	3.3	7.8	4.3
Non-residential, Machinery, Intellectual Property	9.7	3.1	4.2	5.0
Corporate net operating surplus	-6.7	-1.4	3.9	3.7
Unincorporated net mixed income	5.4	2.6	7.4	3.0
Exports of goods and services	5.7	4.8	3.1	4.4
Exports of goods to other countries	1.2	3.9	-0.4	2.9
Imports of goods and services	6.0	4.1	5.8	3.8
Population at July 1 (000s, all ages)	1,085.9	1,094.7	a1,093.2	1,101.3
Population at July 1 (000s, 18–64)	662.1	664.3	a667.2	668.2
Labour force	1.6	0.7	0.8	0.5
Employment	1.4	0.6	0.6	0.4
Unemployment rate (%, annual average)	6.7	6.8	6.7	6.7

a ~ actual
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.

Revenue

Total Revenue is forecast to be $16.6 billion, $144.3 million or 0.9 per cent higher than Budget Estimates. Revenue estimates are based on federal estimates up to November 21, 2025, and provincial administrative data up to November 19, 2025. Information received after these dates will be incorporated in future updates.

The growth in expected Total Revenue includes increases of $53.4 million or 0.6 per cent in Tax Revenue, $11.1 million or 2.7 per cent in Other Provincial Revenue, $57.5 million or 1.0 per cent in Federal Sources Revenue, $87.2 million or 8.1 per cent in Ordinary Recoveries, and $0.2 million or 0.05 per cent in Net Income from Government Business Enterprises. These increases are partially offset by a decrease of $65.0 million or 30.2 per cent in Investment Income.

Ordinary Revenue — Provincial Revenue Sources

Total Ordinary Revenue from Provincial Sources is forecast to be $9.5 billion, which is $0.5 million or 0.01 per cent lower than Budget Estimates.

Tax Revenue

Personal Income Tax (PIT) revenue is forecast to be down $79.3 million or 1.7 per cent from Budget Estimates, due to lower projections for taxable income. Personal taxable income is projected to be down $945.6 million in 2025 and $834.9 million in 2026 due to lower-than-expected taxable income in 2024 and softer income growth in 2025 and 2026. The yield rate on taxable income is projected to be unchanged in 2025 and up 0.5 per cent in 2026 compared to Budget Estimates. Indexation of the taxable income brackets and several non-refundable tax credits was 3.1 per cent for 2025 and set at 1.6 per cent for 2026.

Corporate Income Tax (CIT) revenue is forecast to be up $48.8 million or 5.8 per cent from Budget Estimates as a result of a higher provincial share of the national taxable income base. The projection for national corporate taxable income was revised down 0.4 per cent in 2025 and 1.3 per cent in 2026 compared to Budget Estimates. The Nova Scotia share is forecast to increase 2.4 per cent in both 2025 and 2026 based on updated share estimates of previous years. The revenue estimate incorporates the lowering of the small business rate to 1.5 per cent and increase in the small business income threshold to $700,000.

Harmonized Sales Tax (HST) revenue is forecast to be up $11.3 million or 0.4 per cent from Budget Estimates, mainly attributable to stronger forecast for household consumer expenditure offset by lower taxable housing. The consumer expenditure base is forecast to be $234.0 million or 1.1 per cent higher in 2025 and $166.9 million or 0.7 per cent higher in 2026 relative to Budget estimates. Taxable housing is forecast to be $284.1 million or 5.4 per cent lower in 2025 and $242.0 million or 4.5 per cent lower in 2026. The other bases, public sector bodies, exempt supply businesses and financial institutions are projected higher.

Cannabis Tax revenue is forecast to be $1.1 million or 5.8 per cent higher than Budget Estimates on the basis of increased remittances of the province's additional duty from licensed producers.

Vaping Products Tax revenue is forecast to be down $0.3 million or 9.0 per cent from Budget Estimates.

Non-resident Deed Transfer Tax revenue is forecast to be down $7.9 million or 28.6 per cent from Budget Estimates due to a decline in the average tax payable while the volume of transactions is expected to be stable.

Motive Fuel Tax revenue is forecast to be up $1.1 million or 0.4 per cent from Budget Estimates, with a small increase in overall consumption of motive fuels.

Tobacco Tax revenue is forecast to be down $4.6 million or 4.9 per cent from Budget Estimates as consumption declines. Consumption of legal cigarettes is forecast to be 6.9 per cent lower and legal fine cut tobacco is down 4.8 per cent.

Other Tax Revenue is forecast to be up $1.1 million or 0.4 per cent from Budget Estimates, primarily due to higher forecasted revenue from Financial Institutions Capital Tax.

Prior Year Adjustments (PYAs) from Provincial Sources are $82.0 million, comprised of positive adjustments: +$13.0 million for Corporate Income Tax resulting from higher national corporate taxable income and Nova Scotia proportion for the 2024 taxation year; +$109.0 million for Harmonized Sales Tax due to higher than projected consumer expenditures in 2024 and 2025; and +$1.5 million for the Financial Institution Capital Tax. Partially offsetting the positive adjustments is a decline of $41.5 million for Personal Income Tax due to lower than predicted taxable income and yield for the 2024 and 2025 taxation years.

Other Provincial Revenue

Other Provincial Revenue is forecast to be $11.1 million or 2.7 per cent higher than Budget Estimates. This is primarily due to a $3.2 million or 2.0 per cent increase in Registry of Motor Vehicles revenue, a $11.3 million or 6.4 per cent increase in Other Provincial Sources revenue driven by higher revenue from the Output-Based Pricing System, and a $1.1 million or 10.4 per cent increase in Provincial Tangible Capital Asset Cost Shared Revenue. Partially offsetting these increases are forecasted decreases in Other Fees and Charges of $2.8 million or 4.4 per cent and $1.7 million in Gain on Disposal of Crown Assets.

Investment Income

Investment Income is predicted to be $65.0 million or 30.2 per cent lower than Budget Estimates. Interest revenues are $66.3 million or 35.2 per cent lower than Budget Estimates, primarily due to an accounting adjustment change related to long-term care facilities. Sinking fund earnings are forecast to be $1.3 million or 4.7 per cent higher than Budget Estimates due to higher forecasted interest rates.

Total Revenue 2025–26

($ thousands)

General Revenue Fund: Revenue	Budget	September Update	December Update	*Increase (Decrease)* from Budget	*Increase (Decrease)* from Sept
Provincial Revenue Sources					
Tax Revenue:					
Personal Income Tax	4,730,924	4,690,595	4,651,590	(79,334)	(39,005)
Corporate Income Tax	836,540	882,473	885,358	48,818	2,885
Harmonized Sales Tax	2,588,233	2,534,941	2,599,549	11,316	64,608
Cannabis Tax	19,110	19,692	20,225	1,115	533
Vaping Tax	3,085	3,206	2,808	(277)	(398)
Non-resident Deed Transfer Tax	27,752	27,752	19,817	(7,935)	(7,935)
Motive Fuel Tax	284,393	288,580	285,521	1,128	(3,059)
Tobacco Tax	93,291	83,363	88,682	(4,609)	5,319
Other Tax Revenue	248,607	247,942	249,720	1,113	1,778
Prior Years' Adjustments - Taxes	---	---	82,032	82,032	82,032
	8,831,935	8,778,544	8,885,302	53,367	106,758
Other Provincial Revenue:					
Registry of Motor Vehicles	155,425	155,425	158,582	3,157	3,157
Other Provincial Sources	176,530	178,544	187,866	11,336	9,322
TCA Cost Shared Revenue	10,278	11,286	11,349	1,071	63
Other Fees and Charges	62,897	61,407	60,111	(2,786)	(1,296)
Gain on Disposal of Crown Assets	1,700	---	---	(1,700)	---
	406,830	406,662	417,908	11,078	11,246
Investment Income:					
Interest Revenues	188,226	120,139	121,961	(66,265)	1,822
Sinking Fund Earnings	27,143	27,435	28,415	1,272	980
	215,369	147,574	150,376	(64,993)	2,802
Total - Provincial Sources	**9,454,134**	**9,332,780**	**9,453,586**	**(548)**	**120,806**
Federal Revenue Sources					
Equalization Payments	3,464,825	3,464,825	3,464,825	---	---
Canada Health Transfer	1,409,990	1,409,990	1,435,328	25,338	25,338
Canada Social Transfer	449,055	449,055	457,125	8,070	8,070
Other Federal Sources	163,511	167,551	167,974	4,463	423
TCA Cost Shared Revenue	28,717	35,892	36,493	7,776	601
Prior Years' Adjustments	---	---	11,838	11,838	11,838
Total - Federal Sources	**5,516,098**	**5,527,313**	**5,573,583**	**57,485**	**46,270**
Total Ordinary Revenue	**14,970,232**	**14,860,093**	**15,027,169**	**56,937**	**167,076**
Total - Ordinary Recoveries	**1,069,950**	**1,135,180**	**1,157,133**	**87,183**	**21,953**
Net Income from Government Business Enterprises (GBEs)					
Nova Scotia Liquor Corporation	264,020	264,020	262,736	(1,284)	(1,284)
Nova Scotia Gaming Corporation	199,200	199,200	200,700	1,500	1,500
Highway 104 Western Alignment Corporation	2,227	2,227	2,227	---	---
Total - Net Income from GBEs	**465,447**	**465,447**	**465,663**	**216**	**216**
Total - Revenue	**16,505,629**	**16,460,720**	**16,649,965**	**144,336**	**189,245**

Ordinary Revenue — Federal Revenue Sources

Total Ordinary Revenue from Federal Sources is forecast to be $5.6 billion, which is $57.5 million or 1.0 per cent higher than Budget Estimates.

Equalization entitlements are determined by the federal government prior to the fiscal year based on a one-estimate, one-payment approach, therefore the forecast is unchanged from Budget Estimates. **The Canada Health Transfer (CHT)** is forecast to be up $25.3 million or 1.8 per cent from the Budget Estimate due to Statistics Canada's September 2025 upward revision to Nova Scotia's share of the national population from 2.58 per cent to 2.62 per cent. **Canada Social Transfer (CST)** is forecast to be up $8.1 million or 1.8 per cent from the Budget Estimate as a result of revised population estimates from Statistics Canada in September 2025.

Prior Year Adjustments from Federal Sources are $11.8 million due to revised population estimates resulting in an upward revision to Nova Scotia's share of the national population from 2.61 per cent to 2.62 per cent for the 2024–25 CHT and CST entitlement year.

Ordinary Recoveries

Ordinary Recoveries Revenue is forecast to be $87.2 million or 8.1 per cent higher than Budget Estimates.

The **Department of Cyber Security and Digital Solutions** is forecast to be $9.6 million or 101.9 per cent higher than Budget Estimates primarily due to $6.6 million related to One Person One Record and other IT purchases on behalf of Nova Scotia Health (NSH), and $3.0 million of SAP Integration projects on behalf of related entities.

The **Department of Education and Early Childhood Development** is forecast to be $22.4 million or 10.0 per cent lower than Budget Estimates primarily due to decreases of $28.6 million related to the Canada Wide Early Learning and Child Care and Early Learning Child Care Agreements mainly due to expansion project delays These decreases are partially offset by an increase of $7.7 million in incremental funding in support of School Food Program.

The **Department of Emergency Management** is forecast to be $32.9 million or 195.4 per cent higher than Budget Estimates primarily due to $32.8 million Federal Disaster Assistance Arrangements related to large scale wildfires and prior year's major weather events.

The **Department of Municipal Affairs** is forecast to be $38.5 million or 19.3 per cent lower than Budget primarily due to reductions of $40.9 million in Investing in Canada Infrastructure Program (ICIP) recoveries related to changes in cash flows partially offset by $1.3 million in increased recoveries under Canada Housing Infrastructure Fund, and $1.0 million under the National Disaster Mitigation Program.

Restructuring is forecast to be $99.4 million higher than Budget Estimates primarily due to corporate prior years' recoveries.

Net Income from Government Business Enterprises (GBEs)

Total Net Income from GBEs is up $0.2 million or 0.05 per cent from Budget Estimates.

Net income from the **Nova Scotia Liquor Corporation** (NSLC) is $1.3 million or 0.5 per cent lower than Budget. Cannabis sales are forecast to exceed Budget Estimates, while beverage alcohol sales are forecast to be under Budget, leading to an overall lower gross profit.

Net income from the **Nova Scotia Gaming Corporation** (NSGC) is forecast to be $1.5 million or 0.8 per cent higher than Budget Estimates due to savings in operational expenses.

Net income from the **Highway 104 Western Alignment Corporation** is forecast to remain unchanged from Budget Estimates.

Expenses

Total Expenses for 2025–26 are forecast to be $18.3 billion, $721.6 million or 4.1 per cent higher than the Budget Estimates.

Increases are expected in Departmental Expenses of $718.7 million or 4.4 per cent, Refundable Tax Credit of $15.9 million or 10.7 per cent and Debt Servicing Costs of $12.1 million or 1.3 per cent, partially offset by a decrease in Pension Valuation Adjustment of $25.0 million or 146.4 per cent.

Departmental Expenses

Total Departmental Expenses for 2025–26 is forecast to be $718.7 million or 4.4 per cent higher than the Budget Estimates.

Departmental Expenses 2025–26

($ thousands)

	Budget	September Update	December Update	*Increase (Decrease)* from Budget	*Increase (Decrease)* from Sept
Advanced Education	732,171	736,763	736,578	4,407	(185)
Agriculture	47,946	47,946	50,946	3,000	3,000
Communities, Culture, Tourism and Heritage	168,120	207,870	207,767	39,647	(103)
Cyber Security and Digital Solutions	283,921	290,360	289,150	5,229	(1,210)
Education and Early Childhood Development	2,225,951	2,231,139	2,216,756	(9,195)	(14,383)
Emergency Management	61,060	61,912	64,084	3,024	2,172
Energy	48,613	48,613	48,613	---	---
Environment and Climate Change	80,124	80,124	80,124	---	---
Finance and Treasury Board	48,406	48,406	48,406	---	---
Fisheries and Aquaculture	15,095	15,095	15,095	---	---
Growth and Development	400,214	403,264	402,712	2,498	(552)
Health and Wellness	5,976,833	6,387,702	6,392,911	416,078	5,209
Justice	489,245	501,472	504,308	15,063	2,836
Labour, Skills and Immigration	246,453	247,427	246,820	367	(607)
Municipal Affairs	337,882	297,406	278,607	(59,275)	(18,799)
Natural Resources	112,138	112,138	142,838	30,700	30,700
Opportunities and Social Development	1,676,809	1,676,809	1,676,809	---	---
Public Service	525,274	544,096	545,974	20,700	1,878
Public Works	840,141	825,366	822,228	(17,913)	(3,138)
Seniors and Long-term Care	1,462,480	1,521,720	1,545,963	83,483	24,243
Service Nova Scotia	164,805	164,857	173,709	8,904	8,852
Restructuring Costs	551,472	538,807	723,447	171,975	184,640
Total - Departmental Expenses	**16,495,153**	**16,989,292**	**17,213,845**	**718,692**	**224,553**

The **Department of Advanced Education** is forecast to be $4.4 million or 0.6 per cent higher than Budget Estimates primarily due to $3.9 million in net additional funding to universities for the Bilateral Agreements.

The **Department of Agriculture** is forecast to be $3.0 million or 6.3 per cent higher than Budget Estimates primarily due to additional provincial contribution of $2.3 million to AgriStability program and $0.7 million anticipated deficit in the Crop and Livestock Insurance Corporation due to extreme drought conditions across the province in 2025.

The **Department of Communities, Culture, Tourism and Heritage** is forecast to be $39.6 million or 23.6 per cent higher than Budget Estimates primarily due to $37.0 million to support the Nova Scotia Film and Television Production Incentive Fund, $1.4 million for major event funding, and $1.0 million for Regional Air Access Program.

The **Department of Cyber Security and Digital Solutions** is forecast to be $5.2 million or 1.8 per cent higher than Budget Estimates primarily due to $6.6 million in purchases on behalf of Nova Scotia Health for One Person One Record, and $3.0 million recoverable Enterprise Resource Planning System (SAP) integration projects on behalf of related entities. These increases are partially offset by $4.4 million amortization adjustment primarily due to timing of the Enterprise Resource Planning System (SAP) Modernization Project.

The **Department of Education and Early Childhood Development** is forecast to be $9.2 million or 0.4 per cent lower than Budget Estimates primarily due to decreases of $28.8 million related to the Canda-Wide Early Learning Child Care and the Early Learning Child Care Agreements mainly due to delays in infrastructure projects, $16.4 million for School Lunch due to less uptake than anticipated, $2.5 million in childcare subsidy due to less uptake than anticipated, and $2.8 million in amortization savings due to various project delays. These decreases are partially offset by increases of $25.8 million for Nova Scotia Teachers Union medical/dental premiums, $8.3 million in Teachers Pension Plan contributions, and $7.7 million in federally recoverable school food costs.

The **Department of Emergency Management** is forecast to be $3.0 million or 5.0 per cent higher than Budget Estimates primarily due to $2.0 million partially recoverable large scale wildfires expenses, and $1.0 million drought emergency costs.

The **Department of Growth and Development** is forecast to be $2.5 million or 0.6 per cent higher than Budget Estimates primarily due to $4.1 million for the Nova Scotia Jobs Fund for revised loan valuations partially offset by $1.0 million in lower amortization related to the timing of capital projects and a decrease of $0.7M in the Nova Scotia Provincial Housing Agency's capital grant due to the timing of IT projects.

The **Department of Health and Wellness** is forecast to be $416.1 million or 7.0 per cent higher than Budget Estimates primarily due to $174.0 million NSH/IWK staffing, medical/surgical, utilization and inflationary pressures, $81.0 million Physician Services funding model, increase in hospitalist lines and academic funding plans, $79.3 million Health Transformation initiatives, $36.2 million Emergency Health Services contract payments, primary care paramedic/new graduates, air medical transport, $33.4 million Health Support wage settlement,$23.3 million for higher uptake than anticipated in Seniors' Pharmacare, $19.8 million Canadian Blood Services due to increased usage of plasma protein products, and $4.7 million Greenshield and Medavie administrative increases. These increases are partially offset by a decrease of $37.9 million for capital grants and amortization due to the timing of capital projects.

The **Department of Justice** is forecast to be $15.1 million or 3.1 per cent higher than Budget Estimates primarily due to $7.6 million for Correctional and Court Services operating costs including food, utilities, protective clothing, building maintenance and Workers' Compensation Board, $3.9 million for Public Safety and Security primarily for RCMP services, $1.5 million for Medical Examiner Services operating pressure due to the increase in caseload, and $1.0 million for recoverable expenses from NSH for Correctional Services.

The **Department of Municipal Affairs** is forecast to be $59.3 million or 17.5 per cent lower than Budget Estimates primarily due to $65.5 million related to timing of projects under the Investing in Canada Infrastructure Program, partially recoverable, partially offset by increases of $2.3 million for the Canada Housing Infrastructure Fund, partially recoverable, $1.4 million for the Disaster Mitigation Adaptation Fund initiatives, and $1.0 million for National Disaster Mitigation Program, fully recoverable.

The **Department of Natural Resources** is forecast to be $30.7 million or 27.4 per cent higher than Budget Estimates primarily due to $30.0 million related to partially recoverable large scale forest firefighting efforts and $0.7 million in amortization related to the impairment of a helicopter.

Public Service Offices are forecast to be $20.7 million or 3.9 per cent higher than Budget Estimates primarily due to $14.9 million in Office of Addictions and Mental Health including $16.2 million to NSH for operating pressures mainly additional staffing for overtime, backfilling and patient sitters and $3.8 million for partially recoverable expenditures related to the Mass Casualty Commission, partially offset by a $3.2 million decrease in IWK autism program redesign due to delayed rollout and a $3.0M decrease in the E-mental Health Action Plan. An additional $4.0 million related to changes to the House of Assembly Act and the House of Assembly Management Commission Regulations, which increased salaries for elected officials and supporting staff, as well as constituency offices expenses and living allowances, and $1.7 million to Elections Nova Scotia for IT equipment purchases.

The **Department of Public Works** is forecast to be $17.9 million or 2.1 per cent lower than Budget Estimates primarily due to $14.6 million decrease in Halifax Harbour Bridges capital spending due to timing of work deferred to next year, and $14.0 million lower spending for Build Nova Scotia Cellular Nova Scotia program due to timing. These decreases are partially offset by $6.5 million for prior year storm damage, partially recoverable, $2.5 million for additional operating funding for Link Nova Scotia, $1.5 million building maintenance, and $1.0 million wildfire emergency costs.

The **Department of Seniors and Long-term Care** is forecast to be $83.5 million or 5.7 per cent higher than Budget Estimates primarily due to $72.0 million for increased participation in the Home Support Direct Funding program, $22.4 million for attendant care, $12.3 million in Home Care utilization pressures, $9.3 million in VON nursing pressures for clinics, visits, drugs and supplies, $5.9 million in information technology initiatives for home care, $4.5 million for increased participation in the Seniors' Care Grant, $3.8 million for increased participation in the Care Giver Benefit program and $2.7 million for contractual increases in long-term care facilities. This increase is partially offset by decreases of $17.7 million from the change in accounting related to loan repayments by long-term care service providers, $15.0 million for increased resident collections and $12.8 million due to project delays for new facilities.

The **Department of Service Nova Scotia** is forecast to be $8.9 million or 5.4 per cent higher than Budget Estimates primarily due to $8.6 million for partially recoverable trail repair costs due to damage from natural disasters.

Restructuring is forecast to be $172.0 million or 31.2 per cent higher than Budget Estimates primarily due to corporate initiatives.

Refundable Tax Credits

Refundable tax credit expenditures are forecast to be $15.9 million or 10.7 per cent higher than Budget Estimates. This is due to forecast increases for the Digital Media Tax Credit, the Capital Investment Tax Credit, the Digital Animation Tax Credit, and the Scientific Research & Experimental Development Tax Credit, which are partially offset by decreases to other tax credits.

Pension Valuation Adjustment

The Pension Valuation Adjustment is forecast to be $25.0 million or 146.4 per cent lower than Budget Estimates primarily due to new actuarial reports.

Debt Servicing Costs

Total Debt Servicing Costs are forecast to be up $12.1 million or 1.3 per cent from Budget Estimates primarily due to higher than budgeted interest rates.

Consolidation and Accounting Adjustments

Consolidation and Accounting Adjustments for government units are forecast to be $15.2 million or 4.1 per cent lower than the Budget Estimates primarily due to decreases of $33.9 million in cash flow requirements for healthcare infrastructure and other projects, $14.6 million for Halifax Harbour Bridges, and $1.1 million across various other organizations. The decreases are partially offset by $34.4 million higher than anticipated healthcare capital revenues.

Capital

Total Capital Spending is forecast to be $2.7 billion, which is $336.9 million or 14.3 per cent higher than Budget Estimates.

Tangible Capital Assets

The province is forecasting Capital Purchase Requirements to be $385.4 million or 20.6 per cent higher than Budget Estimates. This is largely driven by $490.3 million accounting adjustment related to long-term care facilities, $34.7 million increase in highway construction primarily related to 100-series repaving, and $27.1 million for healthcare redevelopment projects. This increase is partially offset by $47.9 million for timing of school and modular classroom construction, $45.0 million reduction in contingency, $30.3 million for timing of Public Housing infrastructure projects, $28.6 million timing of other Provincial buildings infrastructure and $14.5 million for timing in various IT projects.

Capital Grants

The province is forecasting Capital Grant Requirements to be $48.4 million or 10.1 per cent lower than Budget Estimates primarily due to $14.6 million decrease in timing of Halifax Harbour Bridges capital spending, and $32.8 million decrease in healthcare grants largely due to shifts in cash flows for procurement, design, and construction delays.

Capital Spending 2025–26

($ thousands)

	Budget	September Update	December Update	*Increase (Decrease)* from Budget	*Increase (Decrease)* from Sept
Highways & Structures	518,621	548,039	553,347	34,726	5,308
Buildings	1,121,482	1,627,671	1,532,084	410,602	(95,587)
Information Technology	90,215	89,386	75,750	(14,465)	(13,636)
Land Purchases	56,197	56,197	56,197	---	---
Vehicles and Equipment	41,773	42,019	41,276	(497)	(743)
Contingency	45,000	---	---	(45,000)	---
Total - Capital Purchase Requirements	**1,873,288**	**2,363,312**	**2,258,654**	**385,366**	**(104,658)**
Capital Grants	480,306	465,730	431,861	(48,445)	(33,869)
Total - Capital Spending	**2,353,594**	**2,829,042**	**2,690,515**	**336,921**	**(138,527)**

Key Risks

Economic

The threat of tariff escalation is a significant negative risk to the global economy and to Canada. The US is Nova Scotia's largest trade partner, accounting for over two-thirds international exports of goods from Nova Scotia. A 25 per cent tariff (and potential retaliatory measures) 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.

Most advanced economies have recovered from high inflation in the past year. Economic growth rates in both the US and China are expected to slow. China's economy faces risks from lower residential investment, weak consumer confidence and slowing export demand. Ongoing geopolitical conflicts introduce uncertainty to the outlook. Commodity prices have stabilized following the invasion of Ukraine, but oil prices are sensitive to an escalation of conflict in the Middle East and possible US tariffs. Unexpected shifts in battlefield outcomes, government sanctions, and transportation arrangements could result in market impacts.

Population growth has lifted Nova Scotia's GDP in recent years. With expected deceleration of population growth, the province's economic expansion may be different than expected in the short term. The province's housing market faces changing influences from: population, interest rates, labour supply, and government initiatives. Major projects and investments in Nova Scotia continue to face uncertain effects from labour supply constraints, which could alter their timing and economic impacts. These risks could be magnified by tariff escalation. Although comparatively mild in 2025, extreme weather events could become an increasing risk to the economy. Nova Scotia's statistical indicators are subject to historical revision after they have been released, which affects the estimated relationships among variables and changes the economic outlook.

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 forecast revenues. All factors are subject to change throughout the fiscal year and can contribute to significant variations in revenues. Final Personal Income Tax (PIT) and Corporate Income Tax (CIT) assessments for the 2024 taxation year have not yet been received, thus creating the possibility of additional prior year adjustments as well as influencing assumptions for the current fiscal year. HST revenue estimates are still subject to revisions for all years after 2019.

The forecast of PIT revenue is dependent on the labour market and income benefits. Slower growth is expected for several key PIT factors including average income, population and employment.

The forecast of CIT revenue is highly dependent upon the level of national corporate taxable income and the province's share. After strong growth in national taxable income from 2020 through 2024, growth is projected to be below typical historical growth rates including only 0.3 per cent growth in 2025. Nova Scotia's share is forecast to increase in 2024 to its highest level since 2017, which could help offset slower growth. Development around trade policy and economic uncertainty continue to be major risks to the CIT revenue forecast.

Harmonized Sales Tax (HST) revenues are heavily reliant on consumer expenditures and investment in residential construction. Slower growth in consumer expenditures and the timing of taxable residential investment could alter the estimates for 2025–26.

Expenditures

While the risks associated with inflation have abated, climate change events continue to impact the province. Given the extreme occurrences to date including flooding and wildfires, and other potential events may impact the province and result in additional expense for support and/or repairs and maintenance.

Additionally, labour shortages continue to impact Nova Scotia's health care sector and the construction industry. Escalation continues to grow on construction projects due to labour supply constraints in the skilled trades.