

FORECAST UPDATE

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Introduction

The Forecast Update provides the fiscal outlook for Nova Scotia for 2025–26. It 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 \$1.2 billion before contingency - an increase of \$527.9 million from Budget's deficit position of \$697.5 million. The change is attributed to expenses increasing by \$503.0 million and revenues decreasing by \$44.9 million. Higher expenses are primarily driven by utilization pressures at the Department of Health and Wellness.

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.

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. After peaking at 160,000, government has nearly cut the list in half.

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 158 per cent of the five-year goal in just the first two years.

Housing starts are up 112 per cent (January 2023–August 2025), and Halifax housing completions are up 31 per cent (January–August 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.

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 seniors have made and continues 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 receive home care services 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 18 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, while Wind West will 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.

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 NS 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 not been drawn upon.

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 \$1.2 billion before contingency. This is an increase of \$527.9 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 \$16.5 billion or \$44.9 million lower than Budget Estimates.

Forecast changes in Ordinary Revenue include decreases of \$53.4 million in Tax Revenue, \$0.2 million in Other Provincial Revenue, and \$67.8 million in Investment Income, which are partially offset by increases of \$11.2 million in Federal Revenue Sources.

Ordinary Recoveries revenue is forecast to increase by \$65.2 million from the Budget. Net Income from GBEs is expected to remain unchanged.

Total Expenses are forecast to be \$18.1 billion, an increase of \$503.0 million from the Budget Estimates. Expenses are predicted to be higher due to projected increases in Departmental Expenses of \$494.1 million, and Debt Servicing Costs of \$12.9 million, partially offset by a reduction in Refundable Tax Credits of \$4.0 million.

Consolidation and Accounting Adjustments positively impact on the bottom line by \$385.6 million, which is \$20.0 million higher than budgeted.

Fiscal Summary 2025–26

(\$ thousands)

General Revenue Fund	Budget	Forecast Update	Increase (Decrease) from Budget
Revenues			
Ordinary Revenue	14,970,232	14,860,093	(110,139)
Ordinary Recoveries	1,069,950	1,135,180	65,230
Net Income from Government Business Enterprises	465,447	465,447	---
Total - Revenue	16,505,629	16,460,720	(44,909)
Expenses			
Departmental Expenses	16,495,153	16,989,292	494,139
Refundable Tax Credits	147,960	143,914	(4,046)
Pension Valuation Adjustment	17,079	17,079	---
Debt Servicing Costs	908,509	921,389	12,880
Total - Expenses	17,568,701	18,071,674	502,973
Consolidation and Accounting Adjustments for Governmental Units	365,573	385,550	19,977
Provincial Surplus (Deficit) Before Contingency	(697,499)	(1,225,404)	(527,905)
Contingency	(200,000)	(200,000)	---
Provincial Surplus (Deficit) After Contingency	(897,499)	(1,425,404)	(527,905)

Economic Performance and Outlook

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.

External Outlook

Global Economy: Global economic activity remained steady in 2024 as monetary policy eased among most major economies and inflationary pressures continue to moderate. Growth in 2025 has been impacted by trade disruptions and shifting geopolitical tensions. However, the composition of economic activity is indicative of distortions due to tariff changes rather than underlying strength. Continuing geoeconomic fragmentation and heightened trade uncertainty are expected to weigh on global gross domestic product (GDP) growth.

Global economic growth is expected to slow to 3.0 per cent in 2025 before accelerating to 3.1 per cent in 2026. Growth in the advanced economies is expected to slow in 2025 to 1.5 per cent before accelerating slightly to 1.6 per cent in 2026. Emerging market and developing economies are expected to slow to 4.1 per cent in 2025 and 4.0 per cent in 2026.

United States (US): US real GDP growth is projected to be 1.6 per cent in 2025 on worsening financial conditions, cooling domestic demand, lower immigration, and ongoing tariff policy impacts. Labour markets have begun to show signs of weakness while the unemployment rate remains relatively low. Growth is expected to remain slow at 1.6 per cent in 2026. US inflation was 2.9 per cent year-over-year in August 2025. The US Federal Reserve has resumed monetary policy easing, with the target for the federal funds rate being cut to 4.0 to 4.25 per cent in September 2025. The Federal Reserve's holdings of Treasury securities, agency debt, and agency mortgage-backed securities continue to be reduced.

Europe: Economic growth in the Euro Area is expected to recover gradually, with easing financial conditions and growing domestic demand outweighing near-term trade policy uncertainty. The IMF projects that real GDP growth in the Euro Area will accelerate to 1.0 per cent in 2025 and 1.2 per cent in 2026. Euro Area inflation has continued to slow, reaching 2.0 per cent year-over-year in August of 2025. Europe's inflation is expected to be subdued over the short term as currency appreciation, one-off fiscal measures and easing labour cost growth contribute to stabilizing prices. The European Central Bank (ECB) has eased interest rates over the last year but left its three key ECB interest rates unchanged in September.

China: The International Monetary Fund expects Chinese economic activity to continue to moderate, with 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 US-China tariffs. Subsequent declines are expected to be partially offset by a recovery in inventory accumulation. 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 kept lending rates at record lows in September 2025.

Canada: Canada's real GDP contracted at a seasonally adjusted annualized rate of 1.6 per cent in the second quarter of 2025. Economic growth in 2025 has been heavily influenced by tariff-distorted trade activity, with strong export growth preceding tariff deadlines, followed by significant contractions. Household consumption is expected to slow in 2025 as some government incentives end, and rising uncertainty is expected to hold back business investment. Canada's labour market conditions have softened in the first eight months of 2025, as employment has not kept pace with labour force growth, even as labour force growth slowed because of lower immigration. The Canadian unemployment rate was 7.1 per cent in August 2025, with job vacancies returning to pre-pandemic levels and earnings growth slowing.

Canada's headline inflation rate was 1.9 per cent in August 2025, with inflation averaging at or around the Bank of Canada's 2.0 per cent target for much of 2024 and the first eight months of 2025. Energy prices have been a significant driver of lower inflation in 2025, as the combination of the removal of the consumer carbon price and lower fuel prices have resulted in energy prices 8.3 per cent lower in August 2025 compared to August 2024. Canada's consumer price index excluding food and energy was 2.4 per cent in August 2025 and has been trending higher in recent months. The Bank of Canada resumed cutting interest rates in September 2025, with its benchmark interest rate now at 2.5 per cent.

Canada's real GDP outlook remains clouded by uncertain global trade policy, but under current measures is expected to grow 1.3 per cent in 2025 and 1.2 per cent in 2026.

Current Economic Outlook for Nova Scotia

The Department of Finance and Treasury Board has revised its economic outlook, incorporating information and data released through June 20, 2025. The economic outlook incorporates data and events released on or before this date, however some of the discussion below refers to more recently released data.

The outlook for Nova Scotia's GDP has been revised down from the Budget outlook. Nova Scotia's real GDP is forecast to grow 1.4 per cent in 2025 and 1.7 per cent in 2026. Nominal GDP is projected to grow 3.7 per cent in 2025 and 3.9 per cent in 2026.

Nova Scotia’s real GDP growth is estimated to have accelerated to 2.7 per cent in 2024 as residential investment rebounded, government investment accelerated, and households remained resilient amid cooling inflation. Inflation continued to slow through 2024 to reach 2.3 per cent and has averaged below 2.0 per cent so far in 2025.

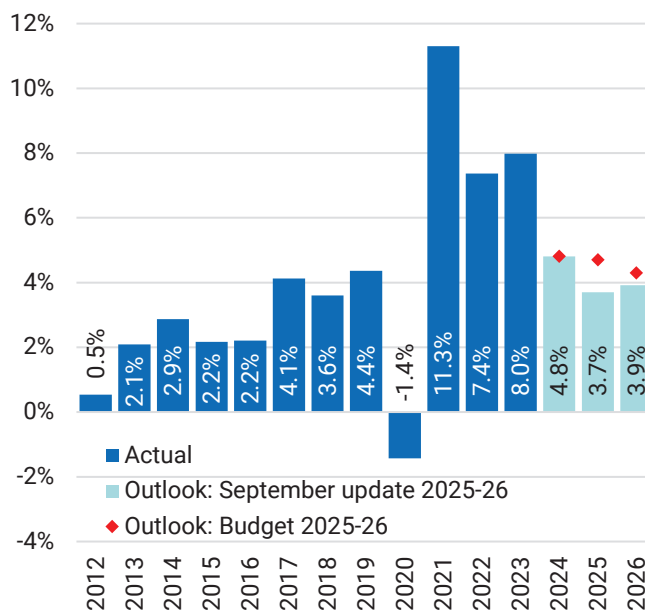
Household spending, supported by tax cuts, capital investment, and slowing inflation are expected to sustain Nova Scotia’s economic growth in 2025. Household consumption is expected to decelerate to 4.3 per cent growth as population growth slows and higher mortgage costs reduce discretionary spending. Residential investment is expected to slow somewhat but remain strong at 7.6 per cent while non-residential investment is projected to slow to 9.3 per cent. Despite headwinds from trade policies enacted by the Province’s major trading partners, international goods exports are still projected to grow 1.4 per cent in 2025. Imports of goods and services are forecast to grow 5.6 per cent. Inflation is expected to be below the Bank of Canada’s 2 per cent target due to the removal of the consumer carbon price.

This Economic Outlook has revised the Budget Assumptions related to tariffs. It is assumed that the Canada-United States-Mexico Agreement (CUSMA) compliant goods will continue to be exported to the US without tariffs. It is also assumed that the Chinese tariffs on seafood will remain in place.

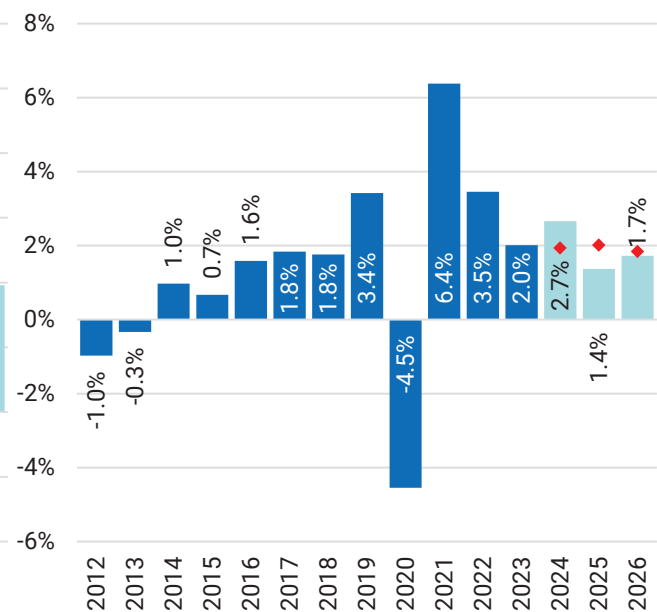
Nova Scotia GDP Growth

(per cent change)

Nominal GDP



Real GDP



Recent Economic Performance

Population: Nova Scotia's population growth is forecast to slow to 0.9 per cent in 2025 and 0.8 per cent in 2026 as contributions from both interprovincial and international migration decline. Slower population growth will result in lower growth in the labour force (0.7 per cent) and employment (0.5 per cent) in 2025. Nova Scotia's unemployment rate is projected to increase to 6.7 per cent in 2025. Employment growth is expected to slow to 0.3 per cent in 2026 as the unemployment rate increases to 7.0 per cent.

Labour Markets: Nova Scotia's labour market growth slowed in 2025. In the first eight months of 2025, labour force and employment grew by 0.7 per cent and 0.6 per cent respectively, which has kept the average unemployment rate unchanged at 6.6 per cent. The job vacancy rate was 3.1 per cent in June 2025. Average weekly earnings rose 4.9 per cent in the first eight months of the year compared to the same period of 2024, with growth in most sectors. Total compensation of employees, combining growth in average wages and higher employment, was up 4.3 per cent in the first half of 2025, compared to the first half of 2024.

Consumption: Nova Scotia's retail sales increased 3.9 per cent in the first six months of 2025, compared to the same period in 2024. Growth in retail trade was fastest in motor vehicles and parts, appliances and electronics, health and personal care, and clothing stores. New motor vehicle unit sales were up 19.6 per cent. Food services and drinking places receipts grew 6.9 per cent in the first half of 2025, compared to the same period in 2024.

Prices: Nova Scotia's consumer price index (CPI) has continued to slow, with upward pressure from shelter prices as interest rates push through to mortgage costs. The removal of the consumer carbon price and lower oil prices have pushed down energy prices so far in 2025. Inflation averaged 1.7 per cent in the first eight months of 2025, slowing to a year-over-year pace of 2.2 per cent in August with a 6.7 per cent decline in energy prices, a 3.3 per cent rise in food prices, and a 4.3 per cent rise in shelter costs. Inflation excluding food and energy was 3.1 per cent year-over-year in August.

Investment: Residential building construction continued to grow in the first six months of 2025. Growth continues to be concentrated in multiple unit buildings, but single unit buildings have also posted growth over this period. After posting the fastest pace of housing starts since the 1980s in 2024, Nova Scotia's housing starts have grown 20.6 per cent in the January-August 2025 period compared to the same period of 2024. Housing starts have been up in Halifax as well as outside the city. Halifax resale home prices have slowed somewhat through 2025. For the first eight months of 2025, Halifax resale home prices were up 5.2 per cent compared to the first eight months of 2024.

Non-residential building construction rose 21.4 per cent in January-June 2025 compared to January-June 2024, with gains outside the city outpacing gains in Halifax. Growth has been concentrated in institutional and government buildings, with lower growth for commercial and industrial buildings. Overall business sector capital investment rose 2.5 per cent in the first half of 2025 compared to the same period of 2024, with growth in non-residential buildings, engineering construction and intellectual property products.

Exports: Nova Scotia's international goods exports grew 1.0 per cent in January-July 2025 compared to January-July 2024. The US and China continue to be Nova Scotia's largest trade partners. Exports to the US increased 1.6 per cent in the first seven months of the year, while exports to China declined 25.1 per cent and exports to the European Union increased 23.0 per cent. Seafood exports were down 4.3 per cent over this period due to lower shipment values for lobster, scallops, and shrimp, partially offset by increased exports of crab and halibut.

Current Economic Outlook Assumptions

<i>Per cent change, except where noted</i>	Budget 2025-26		September forecast update	
	2025	2026	2025	2026
Real GDP (\$2017 chained)	2.0	1.8	1.4	1.7
Nominal GDP	4.7	4.3	3.7	3.9
Compensation of Employees	6.1	4.7	5.7	4.1
Household Income	5.5	4.3	4.8	3.6
Household Final Consumption	5.3	4.3	4.3	3.9
Retail sales	5.3	4.7	3.9	4.3
Consumer Price Index (all-items)	2.2	2.0	1.6	1.8
Residential Investment	7.7	3.3	7.6	3.2
Non-residential, Machinery, Intellectual Property	9.7	3.1	9.3	2.9
Corporate net operating surplus	-6.7	-1.4	-6.7	3.2
Unincorporated net mixed income	5.4	2.6	3.8	2.5
Exports of goods and services	5.7	4.8	4.2	3.9
Exports of goods to other countries	1.2	3.9	1.4	2.1
Imports of goods and services	6.0	4.1	5.6	3.6
Population at July 1 (000s, all ages)	1,085.9	1,094.7	1,085.9	1,094.7
Population at July 1 (000s, 18–64)	662.1	664.3	662.1	664.3
Labour force	1.6	0.7	0.7	0.7
Employment	1.4	0.6	0.5	0.3
Unemployment rate (% , annual average)	6.7	6.8	6.7	7.0

Notes: Non-residential, machinery, intellectual property refers to all categories of gross fixed capital formation except residential structures from business as well as non-profit and government sectors. Compensation of employees now refers to household sector current accounts, covering all resident households.

Revenue

Total Revenue is forecast to be \$16.5 billion, \$44.9 million or 0.3 per cent lower than the 2025–26 Budget Estimates. Revenue estimates are based on federal estimates up to July 22, 2025, and provincial administrative data up to August 25, 2025. Information received after these dates will be incorporated in future updates.

The decline in expected Total Revenue includes decreases of \$53.4 million or 0.6 per cent in Tax Revenue, \$0.2 million in Other Provincial Revenue, and \$67.8 million or 31.5 per cent in Investment Income. These decreases are partially offset by increases of \$11.2 million or 0.2 per cent in Federal Revenue Sources and \$65.2 million or 6.1 per cent in Ordinary Recoveries.

Ordinary Revenue – Provincial Revenue Sources

Total Ordinary Revenue from Provincial Sources is forecast to be \$9.3 billion, which is \$121.4 million or 1.3 per cent lower than Budget Estimates.

Tax Revenue

Personal Income Tax (PIT) revenue is forecast to be down \$40.3 million or 0.9 per cent from Budget due to lower projections for taxable income. Personal taxable income is projected to decrease by \$694.9 million in 2025 and \$532.9 million in 2026. The yield rate on taxable income is now projected to be higher by 0.5 per cent in 2025 and 1.0 per cent in 2026, relative to the Budget Estimates.

Corporate Income Tax (CIT) revenue is forecast to be up \$45.9 million or 5.5 per cent from Budget due to upward revisions to the national taxable income forecast and Nova Scotia's share.

Harmonized Sales Tax (HST) revenue is forecast to be down \$53.3 million or 2.1 per cent from Budget, mainly attributable to lower projections for consumer spending and residential investment. Taxable consumer expenditures are projected to be down \$200.6 million or 0.9 per cent in 2025 and \$309.7 million or 1.3 per cent in 2026. The tax base for residential housing is projected to be down 5.6 per cent in both 2025 and 2026, despite increasing housing starts.

Cannabis Tax revenue is forecast to be \$0.6 million or 3.0 per cent higher than Budget based on higher-than-expected remittances of the Province's additional duty from licensed producers.

Non-resident Deed Transfer Tax revenue is forecast to be unchanged from Budget.

Vaping Products Tax revenue is forecast to be up \$0.1 million or 3.9 per cent from Budget.

Motive Fuel Tax revenue is forecast to be up \$4.2 million or 1.5 per cent from Budget due to higher than expected levels of fuel consumption. Consumption of gasoline is projected to be 2.4 per cent higher and diesel fuel consumption is projected to be 0.4 per cent higher than expected.

Tobacco Tax revenue is forecast to be down \$9.9 million or 10.6 per cent from Budget due to declines in legal tobacco consumption. Legal cigarette consumption is down 10.0 per cent while fine cut tobacco consumption is 18.6 per cent lower than Budget.

Other Tax Revenue is forecast to be down \$0.7 million or 0.3 per cent from Budget Estimates.

Total Revenue 2025–26

(\$ thousands)

General Revenue Fund: Revenue	Budget	Forecast Update	Increase (Decrease) from Budget
Provincial Revenue Sources			
Tax Revenue:			
Personal Income Tax	4,730,924	4,690,595	(40,329)
Corporate Income Tax	836,540	882,473	45,933
Harmonized Sales Tax	2,588,233	2,534,941	(53,292)
Cannabis Tax	19,110	19,692	582
Vaping Tax	3,085	3,206	121
Non-resident Deed Transfer Tax	27,752	27,752	---
Motive Fuel Tax	284,393	288,580	4,187
Tobacco Tax	93,291	83,363	(9,928)
Other Tax Revenue	248,607	247,942	(665)
Prior Years' Adjustments - Taxes	---	---	---
	8,831,935	8,778,544	(53,391)
Other Provincial Revenue:			
Registry of Motor Vehicles	155,425	155,425	---
Other Provincial Sources	176,530	178,544	2,014
TCA Cost Shared Revenue	10,278	11,286	1,008
Other Fees and Charges	62,897	61,407	(1,490)
Gain on Disposal of Crown Assets	1,700	---	(1,700)
	406,830	406,662	(168)
Investment Income:			
Interest Revenues	188,226	120,139	(68,087)
Sinking Fund Earnings	27,143	27,435	292
	215,369	147,574	(67,795)
Total - Provincial Sources	9,454,134	9,332,780	(121,354)
Federal Revenue Sources			
Equalization Payments	3,464,825	3,464,825	---
Canada Health Transfer	1,409,990	1,409,990	---
Canada Social Transfer	449,055	449,055	---
Other Federal Sources	163,511	167,551	4,040
TCA Cost Shared Revenue	28,717	35,892	7,175
Prior Years' Adjustments	---	---	---
Total - Federal Sources	5,516,098	5,527,313	11,215
Total Ordinary Revenue	14,970,232	14,860,093	(110,139)
Total - Ordinary Recoveries	1,069,950	1,135,180	65,230
Net Income from Government Business Enterprises (GBEs)			
Nova Scotia Liquor Corporation	264,020	264,020	---
Nova Scotia Gaming Corporation	199,200	199,200	---
Halifax-Dartmouth Bridge Commission	---	---	---
Highway 104 Western Alignment Corporation	2,227	2,227	---
Total - Net Income from GBEs	465,447	465,447	---
Total - Revenue	16,505,629	16,460,720	(44,909)

Other Provincial Revenue

Other Provincial Revenue is forecast to be \$0.2 million lower than Budget Estimates. This is primarily due to a \$1.5 million or 2.4 per cent forecasted decrease in Other Fees and Charges, primarily due to lower short-term rental registration revenue, and a \$1.7 million decrease in Gain on Disposal of Crown Assets. Partially offsetting these decreases is a forecasted increase in Other Provincial Sources of \$2.0 million, driven by higher Pharmacare Premiums revenue, and an increase in Provincial Tangible Capital Asset Cost Shared Revenue of \$1.0 million, due to higher forecasted recoveries revenues.

Investment Income

Investment Income is predicted to be \$67.8 million or 31.5 per cent lower than Budget Estimates. Interest revenues are \$68.1 million or 36.2 per cent lower than Budget Estimates, primarily due to an accounting adjustment change related to LTC Facilities. Sinking fund earnings are forecast to be \$0.3 million or 1.1 per cent higher than Budget Estimates due to higher forecasted interest rates.

Ordinary Revenue – Federal Revenue Sources

Equalization entitlements are determined by the federal government prior to the fiscal year based on a one-estimate, one-payment approach and as a result the forecast is equal to Budget. **The Canada Health Transfer** (CHT) and the **Canada Social Transfer** (CST) are forecast to be unchanged from Budget Estimates.

Other Federal Sources is forecast to be up \$4.0 million or 2.5 per cent from Budget Estimates, primarily due to increased revenue from a new agreement under the National Strategy for Drugs for Rare Diseases, partially offset by decreased revenue from the Personal Support Workers – Aging with Dignity Amendment.

Federal TCA Cost Shared Revenue is forecast to be up by \$7.2 million or 25.0 per cent from Budget Estimates, mainly because of changes in the expected timing of cash flows related to highway projects, increased revenue from the Electronic Death Records project, and funding for new Conseil Scolaire Acadien Provincial (CSAP) schools.

Ordinary Recoveries

Ordinary Recoveries Revenue is forecast to be \$65.2 million or 6.1 per cent higher than Budget Estimates.

The **Department of Cyber Security and Digital Solutions** is forecast to be \$9.0 million or 96.1 per cent higher than Budget primarily due to \$6.0 million for the One Person One Record project and other IT purchases on behalf of Nova Scotia Health, and \$3.0 million for SAP Integration projects on behalf of related entities.

The **Department of Education and Early Childhood Development** is forecast to be \$6.2 million or 2.8 per cent higher than Budget primarily due to incremental funding in support of the School Lunch Program.

The **Department of Health and Wellness** is forecast to be \$2.2 million or 1.5 per cent higher than Budget primarily due to \$1.2 million for the Mass Casualty Commission contract extension and \$1.0 million for Return of Tuition and Return of Service payments from physicians.

The **Department of Municipal Affairs** is forecast to be \$25.6 million or 12.8 per cent lower than Budget primarily due to reductions of \$28.0 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 \$68.5 million higher than Budget primarily due to corporate prior years' recoveries.

Net Income from Government Business Enterprises (GBEs)

Total Net Income from GBEs (**Nova Scotia Liquor Corporation** (NSLC), **Nova Scotia Gaming Corporation** (NSGC), and **Highway 104 Western Alignment Corporation**) is forecast to remain unchanged from Budget.

Expenses

Total Expenses for 2025–26 are forecast to be \$18.1 billion, \$503.0 million or 2.9 per cent higher than the Budget Estimates.

Increases are expected in Departmental Expenses of \$494.1 million or 3.0 per cent, Debt Servicing Costs of \$12.9 million or 1.4 per cent, offset by a decrease in Refundable Tax Credits of \$4.0 million or 2.7 per cent.

Departmental Expenses

Total Departmental Expenses for 2025–26 are forecast to be \$494.1 million or 3.0 per cent higher than the Budget Estimates.

Departmental Expenses 2025–26

(\$ thousands)

	Budget	Forecast Update	Increase (Decrease) from Budget
Advanced Education	732,171	736,763	4,592
Agriculture	47,946	47,946	---
Communities, Culture, Tourism and Heritage	168,120	207,870	39,750
Cyber Security and Digital Solutions	283,921	290,360	6,439
Education and Early Childhood Development	2,225,951	2,231,139	5,188
Emergency Management	61,060	61,912	852
Energy	48,613	48,613	---
Environment and Climate Change	80,124	80,124	---
Finance and Treasury Board	48,406	48,406	---
Fisheries and Aquaculture	15,095	15,095	---
Growth and Development	400,214	403,264	3,050
Health and Wellness	5,976,833	6,387,702	410,869
Justice	489,245	501,472	12,227
Labour, Skills and Immigration	246,453	247,427	974
Municipal Affairs	337,882	297,406	(40,476)
Natural Resources	112,138	112,138	---
Opportunities and Social Development	1,676,809	1,676,809	---
Public Service	525,274	544,096	18,822
Public Works	840,141	825,366	(14,775)
Seniors and Long-term Care	1,462,480	1,521,720	59,240
Service Nova Scotia	164,805	164,857	52
Restructuring Costs	551,472	538,807	(12,665)
Total - Departmental Expenses	16,495,153	16,989,292	494,139

The **Department of Advanced Education** is forecast to be \$4.6 million or 0.6 per cent higher than Budget primarily due to \$3.9 million in net additional funding to universities for the Bilateral Agreements and \$0.7 million for the regional transfer agreement with PEI.

The **Department of Communities, Culture, Tourism and Heritage** is forecast to be \$39.8 million or 23.6 per cent higher than Budget primarily due to \$37.0 million to support the NS 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 \$6.4 million or 2.3 per cent higher than Budget primarily due to \$6.0 million in purchases on behalf of Nova Scotia Health including One Person One Record, and \$3.0 million recoverable SAP integration projects on behalf of related entities. These increases are partially offset by \$2.6 million amortization adjustment due to timing of the Enterprise Resource Planning System (SAP) Modernization Project.

The **Department of Education and Early Childhood Development** is forecast to be \$5.2 million or 0.2 per cent higher than Budget primarily due to \$7.7 million in fully recoverable funding in support of the School Lunch Program. This increase is partially offset by a decrease of \$1.5 million related to a new tuition agreement with Mi'kmaw Kina'matnewey.

The **Department of Growth and Development** is forecast to be \$3.1 million or 0.8 per cent higher than Budget primarily due to \$4.1 million for the Nova Scotia Jobs Fund for revised valuations and loss claim updates partially offset by \$1.0 million in lower amortization related to the timing of capital projects.

The **Department of Health and Wellness** is forecast to be \$410.9 million or 6.9 per cent higher than Budget primarily due to \$176.6 million Nova Scotia Health (NSH)/IWK staffing, medical/surgical, utilization and inflationary pressures, \$75.3 million Physician services funding model, increase in hospitalist services and academic funding plans, \$61.9 million Health Transformation initiatives, \$41.1 million Emergency Health Services contract payments, primary care paramedic/new graduates, air medical transport, \$33.4 million Health Support wage settlement, \$17.7 million Canadian Blood Services due to increased utilization of plasma protein products, \$3.4 million GreenShield and Medavie administrative increases, and \$1.2 million fully recoverable expenditures related to the Mass Casualty Commission.

The **Department of Justice** is forecast to be \$12.2 million or 2.5 per cent higher than Budget primarily due to \$6.1 million for Correctional and Court Services costs including food, utilities, protective clothing, building maintenance and Workers' Compensation Board costs, \$3.9 million for Public Safety and Security primarily for Royal Canadian Mounted Police services, and \$1.5 million for Medical Examiner Services operating pressure due to the increase in caseload.

The **Department of Municipal Affairs** is forecast to be \$40.5 million or 12.0 per cent lower than Budget primarily due to \$43.9 million related to timing of cash flows under ICIP, partially recoverable. This decrease is partially offset by increases of \$2.3 million for the Canada Housing Infrastructure Fund, partially recoverable and \$1.0 million for the National Disaster Mitigation Program, fully recoverable.

Public Service Offices are forecast to be \$18.8 million or 3.6 per cent higher than Budget primarily due to \$14.9 million in Office of Addictions and Mental Health including \$11.1 million to NSH for operating pressures mainly for additional staffing for overtime, backfilling and staff to remain with patients and \$3.9 million for partially recoverable expenditures related to the Mass Casualty Commission. 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 MLA's, Speaker, Deputy Speakers, Leader of Official Opposition, Leader of Recognized Party, Ministers, Ministerial Assistants, as well as constituency offices expenses and living allowances.

The **Department of Public Works** is forecast to be \$14.8 million or 1.8 per cent lower than Budget primarily due to a \$14.6 million decrease in Halifax Harbour Bridges capital spending, and \$14.0 million for the Build NS Cellular Nova Scotia program. These increases are partially offset by \$8.7 million for storm damage, partially recoverable, and \$4.9 million for additional operating funding for Link NS and Build NS.

The **Department of Seniors and Long-term Care** is forecast to be \$59.2 million or 4.1 per cent higher than Budget primarily due to \$70.4 million for increased participation in the Home Support Direct Funding program, \$30.5 million for an accounting adjustment change resulting in amortization expense for LTC facilities, \$17.7 million for attendant care, and \$6.0 million in information technology initiatives for home care. This increase is partially offset by decreases of \$48.2 million related to accounting adjustment for loan repayments by LTC service providers, \$15.1 million due to project delays for new facilities and \$15.0 million for increased resident collections.

Refundable Tax Credits

Refundable tax credit expenditures are forecast to be down \$4.0 million or 2.7 per cent based on updated information for the Scientific Research and Experimental Development tax credit.

Pension Valuation Adjustment

The Pension Valuation Adjustment is forecast to be unchanged from Budget.

Debt Servicing Costs

Total Debt Servicing Costs are forecast to be up \$12.9 million or 1.4 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 \$20.0 million or 5.5 per cent higher than the Budget primarily due to \$35.1 million higher than anticipated third party revenue contributions to healthcare capital projects. The increase is partially offset by a decrease of \$14.6 million in cash flow requirements for Halifax Harbour Bridges.

Capital

Total Capital Spending is forecast to be \$2.8 billion, which is \$475.5 million or 20.2 per cent higher than Budget.

Tangible Capital Assets

The Province is forecasting Capital Purchase Requirements to be \$490.0 million or 26.2 per cent higher than Budget. This is largely driven by the \$579.5 million accounting adjustment related to LTC facilities as well as a \$29.4 million increase in highway construction primarily related to 100-series repaving. This increase is partially offset by a \$45.0 million reduction in contingency, and \$35.6 million for timing of school construction.

Capital Grants

The Province is forecasting Capital Grant Requirements to be \$14.6 million or 3.0 per cent lower than Budget primarily due to a decrease in Halifax Harbour Bridges capital spending.

Capital Spending 2025–26

(\$ thousands)

	Budget	Forecast Update	Increase (Decrease) from Budget
Highways & Structures	518,621	548,039	29,418
Buildings	1,121,482	1,627,671	506,189
Information Technology	90,215	89,386	(829)
Land Purchases	56,197	56,197	---
Vehicles and Equipment	41,773	42,019	246
Contingency	45,000	---	(45,000)
Total - Capital Purchase Requirements	1,873,288	2,363,312	490,024
Capital Grants	480,306	465,730	(14,576)
Total - Capital Spending	2,353,594	2,829,042	475,448

Key Risks

Economic

Provisions for tariffs have been included in the outlook, but the impacts of these policy changes remain uncertain. Continued uncertainty from US and Chinese tariffs make business conditions unstable and weigh on the economic outlook. Any potential new tariff on forest products might further impact economic growth.

Monetary policy easing is underway. While central banks monitor for a resurgence in inflation, the risk of persistent and unanchored inflation has moderated. As monetary policy loosens, fiscal policy may begin to tighten earlier to address debt pressures. Financial conditions could erode as a result of uncertainty in the direction of US monetary policy institutions.

The risk of economic volatility and instability resulting from geopolitical developments remains significant. Commodity prices are a continued source of economic risk with sensitivity to major global conflicts.

Nova Scotia's recent economic growth was linked to faster population growth from both international and interprovincial migration. Interprovincial migration is expected to return to historic trends, but the pace of this reversion is uncertain. Federal policy changes that reduce international flows (immigrants, non-permanent residents) may also have a larger than anticipated impact on Nova Scotia's economic growth.

Housing market pressures in Nova Scotia remain, and the pace of building may not continue given labour and supply constraints. Elevated housing costs are still straining household budgets, and as mortgages are renewed at higher interest rates, consumer spending could slow faster than expected.

Major projects in Nova Scotia continue to face challenges from labour and supply chain constraints, as well as trade tensions, which may alter their timing and economic impacts. Nova Scotia has recently been experiencing extreme weather events that disrupt household and business activity, which is expected to be an ongoing risk.

Statistical indicators continue to be subject to historical revision after they have been released. This affects the reliability of estimated relationships between variables, impacting economic forecasts.

Revenue

Provincial own-source revenue estimates are strongly influenced by the economic outlook prior to the incorporation of actual taxation data available after the end of tax periods. The revenue models use economic forecasts, administrative data, external factors and historical relationships to forecast revenues. All factors are subject to change through the fiscal year and can contribute to variations in revenues. Personal Income Tax (PIT) and Corporate Income Tax (CIT) tax assessments for the 2024 taxation year have not been fully completed and received by the Province, thereby creating the possibility of prior year adjustments.

Shifts in population, inflation, and the state of the economy pose risk to both provincial own-source revenue and the federal transfer outlook. Unexpected deviations from key economic indicators generally result in similar revenue variations.

The PIT revenue forecast is influenced by population growth, employment levels, average wages, and investment outcomes. Slowing economic activity and inflation relative to recent years is expected for 2025–26 amid significant uncertainty.

The forecast of CIT revenue is highly dependent on national corporate taxable income that continues to be influenced by an uncertain and shifting global trade environment. Trade impacts could still materialize for certain sectors that could have disproportionate effects on revenue. With the recent small business rate reduction and threshold increase, growing taxable income from new and expanding businesses provides upside potential in the outlook.

Harmonized Sales Tax (HST) revenues are primarily derived from consumer expenditures and investment in residential construction. Consumers may shift the volume and timing of purchases around due to tariff and economic risks. HST revenue from new residential housing, collected at time of sale or completion, may be delayed from the period of elevated construction.

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 now with hurricane season well-underway, 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. The cost of construction projects continues to escalate due to labour supply constraints in the skilled trades. In addition, in health care, travel nursing continues to be utilized to manage staffing shortages.

