

FORECAST UPDATE

September 24, 2026

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Introduction

This Forecast Update shows that Government remains focused on the priority areas laid out in Budget 2026-27. This includes the continuation of the largest tax savings measures for Nova Scotians ever, with more than \$600 million in savings to support affordability and benefiting average Nova Scotian families by more than \$1,400 this year. The \$3.5 billion capital plan supports jobs across the province and invests in what is needed now and for the future, including hospital redevelopment, public housing, schools and highways. Government continues to lay the foundations to pursue resource industries, defence related investments, and major projects. These initiatives will grow and build a resilient Nova Scotia economy, providing good jobs and developing Nova Scotia's clean offshore energy, make our province an energy superpower, and create prosperity for generations.

The Forecast Update provides the fiscal outlook for Nova Scotia for 2026-27. This is based on updated information about the major components of revenue and expenses as set out in the 2026-27 Budget Estimates, approved on April 9, 2026. Further to tabling the 2026-27 Budget on February 23, 2026, Government added \$53.6 million to Budget 2026-27 in support for disabilities, seniors and education programming which is included in the Budget as passed in the Legislature.

Relative to the 2026-27 Budget Estimates, the deficit is expected to increase. The Province of Nova Scotia is forecasting a deficit of \$1.4 billion before contingency, an increase of \$195.7 million from Budget's deficit of \$1.245 billion. The change in the deficit is due to anticipated expenses increasing by \$208.0 million, relative to a revenue increase of \$2.8 million. Higher expenses are driven by utilization pressures, primarily at the Department of Health and Wellness and Seniors and Long-Term Care.

A significant accounting adjustment, made in the 2024–25 Public Accounts, continues to impact the Province's finances. Since 2004, if builders of long-term care (LTC) 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 would also provide grants to these service providers to cover operating costs, resident costs and debt servicing costs.

The Auditor General has determined that these mortgages to LTC service providers should not be recognized as loans, and the corresponding LTC facilities should be set up as tangible capital assets (TCA). This Forecast Update reflects this accounting adjustment. These mortgages are no longer treated as loans. The associated interest revenue and operating grant expenses have been removed. These mortgages are now reflected in TCA.

There is continuing economic uncertainty and a weaker global economy. The impact of escalating tariff policies remains uncertain. Chinese tariffs on seafood have been suspended until December 31, 2026, while trade discussions with the United States are currently uncertain. The Province introduced a contingency in its fiscal planning, to reflect the potential impact of unanticipated changes in economic growth, revenues, or expenses, mainly as a result of the tariffs that could be imposed and unexpected events including disasters, emergencies, and emerging priorities that may arise during the fiscal year and that are not practical to delay until the next budget. To-date the Province is not drawing on this contingency, and it remains at \$50.0 million.

Overview

The Province of Nova Scotia is forecasting a deficit of \$1.4 billion before contingency. This is an increase of \$195.7 million from the budgeted deficit in the 2026–27 Budget Estimates.

Total Revenue, including Ordinary Revenue, Ordinary Recoveries, and Net Income from Government Business Enterprises (GBEs), is forecast to be \$17.4 billion or \$2.8 million higher than Budget Estimates.

Forecast changes in Ordinary Revenue include increases of \$9.9 million in Other Provincial Revenue, \$34.3 million in Investment Income, and \$35.2 million in Federal Revenue Sources, which are partially offset by decrease of \$22.6 million in Tax Revenue.

Ordinary Recoveries revenue is forecast to decrease by \$47.9 million from Budget. Net Income from GBEs is expected to decrease by \$6.1 million.

Total Expenses are forecast to be \$19.2 billion, an increase of \$208.0 million from the Budget Estimates. Expenses are predicted to be higher due to projected increases in Departmental Expenses of \$191.1 million, Debt Servicing Costs of \$15.5 million, and Refundable Tax Credits of \$1.3 million.

Consolidation and Accounting Adjustments are \$396.4 million, \$9.5 million higher than budgeted, reducing the deficit.

Fiscal Summary 2026–27

(\$ thousands)

General Revenue Fund	Budget	Forecast Update	Increase (Decrease) from Budget
Revenues			
Ordinary Revenue	15,690,511	15,747,244	56,733
Ordinary Recoveries	1,201,240	1,153,329	(47,911)
Net Income from Government Business Enterprises	462,515	456,462	(6,053)
Total - Revenue	17,354,266	17,357,035	2,769
Expenses			
Departmental Expenses	17,823,982	18,015,101	191,119
Refundable Tax Credits	160,569	161,894	1,325
Pension Valuation Adjustment	(28,914)	(28,914)	---
Debt Servicing Costs	1,030,107	1,045,634	15,527
Total - Expenses	18,985,744	19,193,715	207,971
Consolidation and Accounting Adjustments for Governmental Units	386,936	396,410	9,474
Provincial Surplus (Deficit) Before Contingency	(1,244,542)	(1,440,270)	(195,728)
Contingency	(50,000)	(50,000)	---
Provincial Surplus (Deficit) After Contingency	(1,294,542)	(1,490,270)	(195,728)

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 resilient in 2025 despite a series of shocks, including trade disruptions, geopolitical tensions, and shifting policy conditions. However, the outlook for 2026 has weakened as changes in American trade policy and the war in the Middle East add to uncertainty, disrupt energy markets, and renew inflationary pressures.

The International Monetary Fund (IMF) expects global headline inflation to be 4.7 per cent in 2026 and 3.9 per cent in 2027. At the same time, global real economic growth is projected to accelerate from 3.0 per cent in 2026 to 3.4 per cent in 2027. Real growth in advanced economies is expected to be 1.7 per cent in 2026 and 1.8 per cent in 2027, while real growth in emerging markets and developing economies is projected to rebound more noticeably, from 3.8 per cent to 4.5 per cent.

United States (US): Real Gross Domestic Product (GDP) in the United States is projected to grow 2.3 per cent in 2026, as accommodative financial conditions offset cooling domestic demand, lower immigration, and the effects of trade barriers. Growth is expected to slow slightly to 2.2 per cent in 2027. Labour market conditions have softened, with job gains remaining low and the unemployment rate showing little change in recent months. Inflation accelerated through the first eight months of 2026, reaching 3.4 per cent year-over-year in August. For the first time since 2023, the US Federal Reserve increased the federal funds rate by 25 basis points to 3.75 to 4.00 per cent.

Europe: Economic growth in the Euro Area is expected to recover gradually, though the continued drag from higher energy prices and the real appreciation of the euro are weighing on manufacturing and export competitiveness. The IMF projects that real GDP growth in the Euro Area will accelerate from 0.9 per cent in 2026 to 1.2 per cent in 2027. Euro Area inflation reached 3.2 per cent year-over-year in August of 2026. Food price inflation continued to ease in 2026, while energy price growth reached 14.3 per cent in August. The European Central Bank (ECB) raised its key interest rates twice so far in 2026 after a year of easing.

China: The IMF expects Chinese economic activity to continue to moderate, with real GDP growth of 4.6 per cent in 2026 and 4.1 per cent in 2027. Economic activity in the first half of 2026 was supported by front-loaded public infrastructure investment, a surge in high-tech manufacturing and exports, while domestic demand remained soft. A prolonged property market slump continues to weigh on growth, though government stimulus measures are expected to offset some of the negative impacts from the conflict in the Middle East. Inflation is expected to rise but remain low. The People's Bank of China has kept lending rates at record lows of 3.0 per cent since May 2025.

Canada: Canada's real GDP grew at a seasonally adjusted annualized rate of 3.3 per cent in the second quarter of 2026. The Canadian economy has continued to adjust to shifting US tariff policies as well as uncertainty about the Canada-United States-Mexico Agreement (CUSMA). During the second quarter of 2026, consumer and government spending posted healthy increases, housing activity was up, and business investment rebounded. Canada's GDP growth was also supported by a sharp increase in exports as auto production recovered following declines in the previous two quarters. Canada's labour market

conditions have softened in the first half of 2026, with businesses retaining their workers but hesitant to hire more, given persistent uncertainty and soft demand. Job vacancies remain low and wage growth has slowed. The Canadian unemployment rate was 6.4 per cent in August 2026.

Canada's headline inflation rate was 3.0 per cent in August 2026, with inflation rising above the Bank of Canada's 2.0 per cent target during the first eight months of 2026. Energy prices have been a significant driver of higher inflation in 2026 due to the conflict in the Middle East. Gasoline prices were up 22.8 per cent and fuel oil and other fuels were up 43.7 per cent in August. Canada's consumer price index excluding food and energy was 2.1 per cent in August 2026 and has been trending lower in recent months. The Bank of Canada has held the benchmark interest rate steady at 2.25 per cent in 2026.

Canada's outlook remains clouded by uncertain US trade policy and the conflict in the Middle East. The Bank of Canada forecasts real GDP to rise by 0.7 per cent in 2026 and 1.5 per cent in 2027.

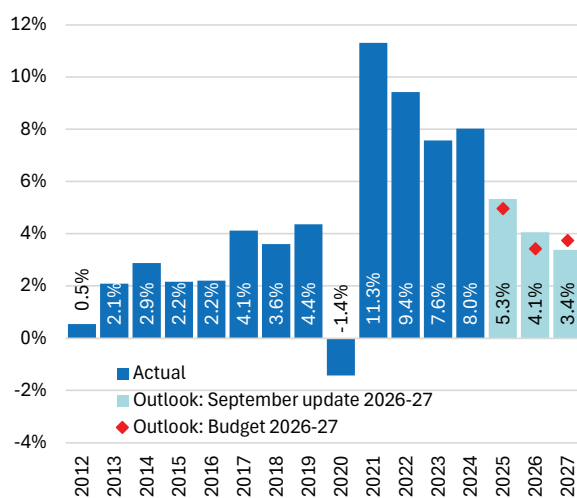
Current Economic Outlook for Nova Scotia

The Department of Finance and Treasury Board has revised its economic outlook, incorporating information and data released to June 22, 2026, with updated household income as of July 22, 2026. 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.

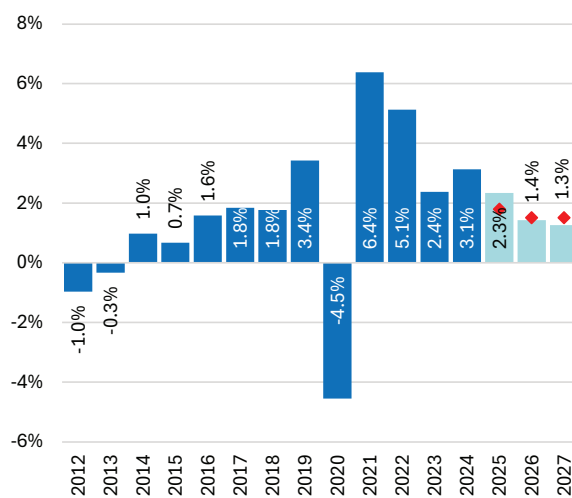
Nova Scotia GDP Growth

(per cent change)

Nominal GDP



Real GDP



The outlook for Nova Scotia's GDP has been revised downwards from the Budget outlook. Nova Scotia's real GDP is forecast to grow 1.4 per cent in 2026 and 1.3 per cent in 2027. Nominal GDP is projected higher than the Budget outlook at 4.1 per cent in 2026 and lower in 2027 to 3.4 per cent. Nova Scotia's real (2.3 per cent) and nominal (5.3 per cent) GDP growth is estimated to be higher than Budget, reflecting gains in household spending and strong investment activity.

Household spending, supported by tax cuts, and continued growth in capital investment is expected to support Nova Scotia's economic growth in 2026. Household consumption is projected to grow 4.5 per cent, reflecting consumer demand despite slower population growth and higher interest costs. Residential investment is expected to ease by 0.4 per cent following several years of strong growth, while non-residential investment is projected to grow 5.9 per cent due to major projects and government capital investment. Despite ongoing uncertainty in global trade markets, international exports of goods are expected to recover in 2026 with the removal of the Chinese seafood tariffs that weakened exports in 2025. Imports of goods and services are forecast to rise 4.7 per cent. Inflation is expected to accelerate in 2026, reflecting higher energy prices associated with the conflict in the Middle East.

Recent Economic Performance

Population: Nova Scotia's population is forecast to decline by 0.2 per cent in 2026 and remain broadly unchanged in 2027. Record numbers of non-permanent residents entered the province in recent years and this Outlook expects contributions from this group to normalize in the years ahead. Despite slower population growth, both labour force and employment are forecast to continue to grow. Nova Scotia's unemployment rate is projected to increase slightly to 6.8 per cent in 2026 before edging down to 6.7 per cent in 2027.

Labour Markets: Nova Scotia's labour market growth picked up in 2026. In the first eight months of 2026, the labour force and employment increased by 1.4 per cent compared with the same period in 2025. The average unemployment rate was unchanged from the first eight months of 2025. Average weekly earnings increased 3.9 per cent in the first eight months of 2026 compared with the same period in 2025, with gains in most sectors. The job vacancy rate declined to 2.6 per cent in June 2026. Total compensation of employees, combining growth in average wages and higher employment, increased 8.0 per cent in the first half of 2026 compared with the same period in 2025.

Consumption: Nova Scotia's retail sales increased 5.0 per cent in the first six months of 2026 compared with the same period in 2025. Growth in retail trade was strongest at gas stations (due to higher energy prices), motor vehicle and parts dealers, and general merchandise stores. New motor vehicle unit sales increased 1.6 per cent in the first seven months of 2026, the only province to report year-to-date gains. Food services and drinking places receipts grew 6.4 per cent in the first six months of 2026 compared with the same period in 2025.

Prices: After averaging 2.1 per cent in 2025, consumer price inflation (CPI) accelerated in 2026, averaging 4.0 per cent in the first eight months of the year as higher energy prices pushed inflation above the national average. Higher energy prices, driven by rising global crude oil prices associated with the conflict in the Middle East, are the main contributor to higher inflation this year. Inflation reached a year-over-year pace of 5.1 per cent in August. Energy prices increased 22.1 per cent year-over-year, while food prices rose 2.4 per cent and shelter prices increased 7.2 per cent. Inflation excluding food and energy rose 3.5 per cent year-over-year in August.

Investment: Residential building construction has declined 6.7 per cent in the first half of 2026 following the two fastest years of housing starts on record. The decline in the first six months of the year was due to lower investment in multiple-unit dwellings, primarily in Halifax, while investment in single-unit dwellings was up across the province. Housing starts are down 29.2 per cent in January-August 2026. Halifax resale home prices have continued to moderate so far in 2026. In the first eight months of 2026, Halifax resale home prices decline 0.9 per cent compared to January-August 2025.

Non-residential building construction increased 16.6 per cent, with gains outside of Halifax more than offsetting lower investment in the city. Growth was led by institutional and government projects outside of Halifax, alongside smaller gains in commercial and industrial construction. Overall business sector capital investment rose 9.2 per cent in the first half of 2026 compared to the same period of 2025, the strongest growth among provinces. Growth was led by government-sector investment and machinery and equipment, while business-sector capital investment also outpaced the national average.

Exports: Nova Scotia's international goods exports declined 1.5 per cent in January-July 2026 compared with the same period in 2025. The US and China continue to be Nova Scotia's largest export markets. Exports to the US decreased 0.2 per cent in the first seven months of the year, while exports to China declined 14.4 per cent and exports to the European Union increased 5.3 per cent. Seafood exports were down 8.7 per cent in the first seven months of 2026, reflecting lower shipments of lobster, crab, and scallops. These declines were partially offset by higher exports of halibut, shrimp, and other prepared fish. Seafood exports to China are expected to recover with the removal of the tariff on Canadian seafood.

Current Economic Outlook Assumptions

	Budget 2026–27		September Forecast	
<i>Per cent change, except where noted</i>	2026	2027	2026	2027
Real GDP (\$2017 chained)	1.5	1.5	1.4	1.3
Nominal GDP	3.4	3.7	4.1	3.4
Compensation of Employees	4.2	4.0	4.1	3.9
Household Income	3.8	4.2	3.8	4.0
Household Final Consumption	4.0	4.6	4.5	4.6
Retail sales	3.2	4.6	3.8	4.6
Consumer Price Index (all-items)	2.0	2.0	3.2	2.1
Residential Investment	4.4	3.3	-0.4	3.3
Non-residential, Machinery, Intellectual Property	3.5	1.5	5.9	2.1
Corporate net operating surplus	4.0	5.2	5.5	4.4
Unincorporated net mixed income	3.3	2.2	3.3	2.4
Exports of goods and services	4.6	4.1	4.1	4.3
Exports of goods to other countries	4.0	2.9	3.9	3.1
Imports of goods and services	3.3	3.3	4.7	2.9
Population at July 1 (000s, all ages)	1,099.9	1,105.8	1,090.5	1,090.9
Population at July 1 (000s, 18–64)	667.2	666.8	660.7	655.7
Labour force	0.3	0.3	0.7	0.5
Employment	0.3	0.3	0.5	0.6
Unemployment rate (% , annual average)	6.6	6.6	6.8	6.7

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 \$17.4 billion, \$2.8 million or 0.02 per cent higher than the 2026–27 Budget Estimates. Revenue estimates are based on federal estimates up to July 22, 2026, and provincial administrative data up to August 19, 2026. Information received after these dates will be incorporated in future updates.

The growth in expected Total Revenue includes increases of \$9.9 million or 2.1 per cent in Other Provincial Revenue, \$34.3 million or 23.0 per cent in Investment Income, and \$35.2 million or 0.6 per cent in Federal Revenue Sources. These increases are partially offset by a decrease of \$22.6 million or 0.2 per cent in Tax Revenue.

Ordinary Revenue – Provincial Revenue Sources

Tax Revenue

Personal Income Tax (PIT) revenue is forecast to be up \$57.5 million or 1.2 per cent from Budget due to higher projections for taxable income. Taxable income is projected to increase by \$575.7 million in 2026 and \$134.9 million in 2027 primarily due to a higher 2025 base. The yield rate is projected to be 0.2 per cent higher in 2026 and 0.6 per cent lower in 2027 compared to Budget.

Corporate Income Tax (CIT) revenue is forecast to be up \$30.3 million or 3.4 per cent from Budget due to upward revisions to the national taxable income forecast, up 4.3 per cent in 2026 and 2027 due to a higher 2025 base. The increase more than offsets a decline in the Province's share, down 1.4 per cent.

Harmonized Sales Tax (HST) revenue is forecast to be down \$93.7 million or 3.4 per cent from Budget, mainly attributable to lower than anticipated projections for consumer spending and residential investment. Taxable consumer expenditures are projected to be down \$394.9 million in 2026 and \$411.0 million in 2027 flowing from a lower 2025 base due to softer spending growth compared to Budget Estimates. The housing tax base is projected to be down 7.5 per cent in both 2026 and 2027.

Cannabis Tax revenue is forecast to be \$1.0 million or 4.1 per cent lower than Budget based on lower-than-expected remittances of the Province's additional duty from licensed producers.

Vaping Products Tax revenue is forecast to be down \$6.1 million or 41.7 per cent from Budget. The decrease is due to the timing and accounting recognition of payments following the April 1, 2026 harmonization of the Province's vaping product tax with the federal government.

Non-resident Deed Transfer Tax revenue is forecast to be down \$2.4 million or 9.8 per cent from Budget. The projected volume of taxable transactions is expected to be lower partially offset by a higher average transaction value compared to Budget Estimates.

Motive Fuel Tax revenue is forecast to be down \$11.8 million or 4.0 per cent from Budget due to lower-than-expected consumption amid higher global fuel prices. Gasoline consumption is projected to be down 3.4 per cent and diesel consumption down 4.4 per cent relative to Budget.

Total Revenue 2026–27

(\$ thousands)

General Revenue Fund: Revenue	Budget	Forecast Update	Increase (Decrease) from Budget
Provincial Revenue Sources			
Tax Revenue:			
Personal Income Tax	4,932,857	4,990,405	57,548
Corporate Income Tax	893,408	923,662	30,254
Harmonized Sales Tax	2,755,058	2,661,381	(93,677)
Cannabis Tax	23,331	22,374	(957)
Vaping Tax	14,564	8,496	(6,068)
Non-resident Deed Transfer Tax	24,552	22,157	(2,395)
Motive Fuel Tax	297,678	285,873	(11,805)
Tobacco Tax	73,930	79,683	5,753
Other Tax Revenue	271,200	269,901	(1,299)
	9,286,578	9,263,930	(22,648)
Other Provincial Revenue:			
Registry of Motor Vehicles	163,275	163,275	---
Other Provincial Sources	170,282	174,129	3,847
TCA Cost Shared Revenue	1,799	3,336	1,537
Other Fees and Charges	65,745	70,285	4,540
Gain on Disposal of Crown Assets	80,000	80,000	---
	481,101	491,025	9,924
Investment Income:			
Interest Revenues	116,865	150,620	33,755
Sinking Fund Earnings	32,121	32,619	498
	148,986	183,239	34,253
Total - Provincial Sources	9,916,665	9,938,195	21,530
Federal Revenue Sources			
Equalization Payments	3,538,394	3,538,394	---
Canada Health Transfer	1,507,399	1,507,399	---
Canada Social Transfer	470,934	470,934	---
Other Federal Sources	167,356	202,885	35,529
TCA Cost Shared Revenue	89,763	89,437	(326)
Total - Federal Sources	5,773,846	5,809,049	35,203
Total Ordinary Revenue	15,690,511	15,747,244	56,733
Total - Ordinary Recoveries	1,201,240	1,153,329	(47,911)
Net Income from Government Business Enterprises (GBEs)			
Nova Scotia Liquor Corporation	256,005	256,005	---
Nova Scotia Gaming Corporation	204,800	198,400	(6,400)
Highway 104 Western Alignment Corporation	1,710	2,057	347
Total - Net Income from GBEs	462,515	456,462	(6,053)
Total - Revenue	17,354,266	17,357,035	2,769

Tobacco Tax revenue is forecast to be up \$5.8 million or 7.8 per cent from Budget due to an expected increase in the level of legal tobacco consumption. Legal cigarette consumption is projected to be up 4.6 per cent and fine cut tobacco consumption up 11.6 per cent compared to Budget. These increases are relative to Budget expectations however the long-term trend of year over year decreases in legal tobacco consumption continues, down about 50 per cent since 2022–23.

Other Tax Revenue is forecast to be down \$1.3 million or 0.5 per cent from Budget Estimates.

Other Provincial Revenue

Other Provincial Revenue is forecast to be \$9.9 million higher than Budget Estimates. This is primarily due to increases in Other Fees and Charges of \$4.5 million, driven by higher forecasted recoveries for International Student Program, in Other Provincial Sources of \$3.8 million, due to a higher Pharmacare Premiums revenue and in Provincial Tangible Capital Asset Cost Shared Revenue of \$1.5 million, driven by higher-than-expected recoveries revenue.

Investment Income

Investment Income is predicted to be \$34.3 million or 23.0 per cent higher than Budget Estimates. Interest revenues are \$33.8 million or 28.9 per cent higher than Budget Estimates, primarily due to higher expected revenue in Nova Scotia Jobs Fund and Municipal Finance. Sinking Fund earnings are forecast to be \$0.5 million or 1.6 per cent higher than Budget Estimates due to the higher forecasted interest rate.

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 are forecast to be up \$35.5 million, or 21.2 per cent, from Budget Estimates, primarily due to additional federal revenues received under various federal-provincial agreements and funding arrangements.

Federal TCA Cost Shared Revenue is forecast to be down by \$0.3 million or 0.4 per cent from Budget Estimates, mainly due to lower forecast recoveries resulting from changes in the expected timing of highway projects, partially offset by additional recoveries under various agreements with municipalities.

Ordinary Recoveries

Ordinary Recoveries Revenue is forecast to be \$47.9 million or 4.0 per cent lower than Budget Estimates.

The **Department of Agriculture** is forecast to be \$15.0 million or 267.8 per cent higher than Budget primarily due to response programs delivered through AgriRecovery related to the continued impact of the 2025 drought.

The **Department of Emergency Management** is forecast to be \$22.9 million or 116.6 per cent higher than budget primarily due to an increase in Federal Disaster Financial Assistance Arrangements related to prior years' natural disaster weather-related events.

The **Department of Justice** is forecast to be \$15.0 million or 9.6 percent lower than budget, primarily due to \$16.3 million decrease from the new RCMP Municipal Billing Framework. This decrease is partially offset by increased recoveries of \$0.7 million Canada's Victim fund federal agreement for victim services.

Restructuring is forecast to be \$70.1 million or 44.8 per cent lower than Budget primarily due to corporate prior years' recoveries being lower than anticipated.

Net Income from Government Business Enterprises (GBEs)

Net Income from **Nova Scotia Liquor Corporation** (NSLC) is forecasted to remain unchanged from Budget.

Net Income from **Nova Scotia Gaming Corporation** (NSGC) is forecasted to be \$6.4 million or 3.1 per cent lower than budget due to decreases in Video Lottery and Digital Lottery revenues, partially offset by a decrease in operating expenses.

Net income from **Highway 104 Western Alignment Corporation** is forecasted to be \$0.3 million or 20.3 per cent higher than budget driven by the forecasted lower operating expenses for the toll plaza and rest areas in 2026–27.

Expenses

Total Expenses for 2026–27 are forecast to be \$19.2 billion, \$208.0 million or 1.1 per cent higher than the Budget Estimates.

Increases are expected in Departmental Expenses of \$191.1 million or 1.1 per cent, Debt Servicing Costs of \$15.5 million or 1.5 per cent, and Refundable Tax Credits of \$1.3 million or 0.8 per cent.

Departmental Expenses

Relative to the Budget that was tabled, the approved Budget has Departmental Expenses including \$21.4 million worth of reinstated grants to support seniors and those with disabilities, and African Nova Scotians access educational opportunities. Another \$10 million is reinstated to public service organizations that support these groups. Government is also re-establishing \$22.2 million in funding to organizations that support seniors, disability groups and the African Nova Scotian community.

Total Departmental Expenses for 2026–27 are forecast to be \$191.1 million or 1.1 per cent higher than the Budget Estimates.

The **Department of Agriculture** is forecast to be \$26.0 million or 54.2 per cent higher than Budget primarily due to \$25.0 million response programs under AgriRecovery related to continued impact of the 2025 drought, partially recoverable from the federal government.

The **Department of Communities, Culture, Tourism and Heritage** is forecast to be \$2.1 million or 1.3 per cent higher than Budget, primarily due to \$1.5 million to support SailGP 2027 as well as \$0.6 million in various recoverable expenses.

The **Department of Cyber Security and Digital Solutions** is forecast to be \$3.3 million or 1.0 per cent lower than Budget primarily due to \$4.0 million in Enterprise Resource Planning Modernization SAP Phase 3 resulting from project delays, partially offset by a \$0.7 million increase in operating costs for the Digital Case Management Program.

The **Department of Education and Early Childhood Development** is forecast to be \$9.9 million or 0.4 per cent lower than Budget primarily due to \$7.5 million in School Food resulting from funding carried over from the prior year, and \$3.1 million in amortization adjustments due to construction delays.

The **Department of Energy** is forecast to be \$6.2 million or 13.5 per cent higher than Budget primarily due to \$5.0 million in fully recoverable expenses related to the Canada Greener Homes Affordability Program and \$1.2 million in funding to the Canada Nova Scotia Offshore Energy Regulator.

The **Department of Health and Wellness** is forecast to be \$125.3 million or 1.9 per cent higher than Budget primarily due to \$46.7 million Physician Services increased utilization in Alternative Payment Plans, Academic Funding Plans, and other compensation programs, \$37.9 million Emergency Health Services contract payments, \$30.8 million Pharmaceutical Services and Extended Benefits mainly due to continued growth in Seniors Pharmacare, and \$10.3 million Other Programs largely due to increased utilization of out-of-province services, personal protection equipment/vaccine supply, and Canadian Blood Services products.

Departmental Expenses 2026–27

(\$ thousands)

	Budget	Forecast Update	Increase (Decrease) from Budget
Advanced Education	544,214	544,214	---
Agriculture *	48,048	74,093	26,045
Communities, Culture, Tourism and Heritage *	162,930	165,072	2,142
Cyber Security and Digital Solutions	322,727	319,452	(3,275)
Education and Early Childhood Development	2,343,767	2,333,864	(9,903)
Emergency Management	63,186	62,910	(276)
Energy *	45,982	52,182	6,200
Environment and Climate Change	59,877	59,877	---
Finance and Treasury Board	48,173	48,173	---
Fisheries and Aquaculture	17,933	17,933	---
Growth and Development	457,047	457,047	---
Health and Wellness *	6,714,896	6,840,193	125,297
Justice *	536,519	537,839	1,320
Labour, Skills and Immigration	431,995	431,780	(215)
Municipal Affairs	287,008	283,070	(3,938)
Natural Resources *	131,455	134,155	2,700
Opportunities and Social Development	1,799,576	1,799,576	---
Public Service *	579,436	581,331	1,895
Public Works	922,327	922,327	---
Seniors and Long-term Care *	1,606,407	1,668,433	62,026
Service Nova Scotia *	172,758	177,883	5,125
Restructuring Costs	527,721	503,697	(24,024)
Total - Departmental Expenses	17,823,982	18,015,101	191,119

* Departmental expenses are presented at the amounts approved in the Budget and authorized by the Appropriations Act (2026).

The **Department of Justice** is forecast to be \$1.3 million or 0.2 per cent higher than Budget, primarily due to increased recoverable expenses related to various federal programming.

The **Department of Municipal Affairs** is forecast to be \$3.9 million or 1.4 per cent lower than Budget primarily related to net timing of cash flows under the Canada Housing Infrastructure Fund, partially recoverable.

The **Department of Natural Resources** is forecast to be \$2.7 million or 2.1 per cent higher than Budget primarily due to expenses related to fighting the Mooseland Road wildfires.

Public Service Offices are forecast to be \$1.9 million or 0.3 per cent higher than Budget primarily due to IT upgrades of Elections Nova Scotia.

The **Department of Seniors and Long-term Care** is forecast to be \$62.0 million or 3.9 per cent higher than Budget primarily due to \$51.2 million for increased participation in the Home Support Direct Funding program, \$26.6 million for attendant care, \$8.8 million for home support services, and \$8.0 million for the utilization of nursing services, drugs and supplies. This increase is partially offset by decreases of \$21.6 million related to LTC facilities amortization adjustment and \$13.5 million due to project delays for new facilities.

The **Department of Service Nova Scotia** is forecast to be \$5.1 million or 3.0 per cent higher than Budget primarily due to \$4.9 million for partially recoverable trail repair costs due to damage from natural disaster weather related events.

Restructuring is forecast to be \$24.0 million or 4.6 per cent lower than Budget primarily due to lower than anticipated corporate initiatives.

Refundable Tax Credits

Refundable tax credit expenditures are forecast to be up \$1.3 million or 0.8 per cent primarily due to 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 \$15.5 million or 1.5 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 \$9.5 million or 2.5 per cent higher than Budget primarily due to changes in various special purpose funds and other organizations.

Capital

Total Capital Spending, including tangible capital assets and capital grants, is forecast to be equal to budget. Variances may emerge as departments refine project schedules and cash-flow requirements throughout the year, and will be reflected in future updates.

Capital Spending 2026–27

(\$ thousands)

	Budget	Forecast Update	Increase (Decrease) from Budget
Highways & Structures	476,107	476,107	---
Buildings	2,265,789	2,265,789	---
Information Technology	111,311	111,311	---
Land Purchases	52,550	52,550	---
Vehicles and Equipment	29,885	29,885	---
Contingency	69,350	69,350	---
Total - Capital Purchase Requirements	3,004,992	3,004,992	---
Capital Grants	495,200	495,200	---
Total - Capital Spending	3,500,192	3,500,192	---

Key Risks

Economic

The impact on the outlook from escalating tariff policies remains uncertain. Chinese tariffs on seafood have been suspended until December 31, 2026, while trade discussions with the United States are currently uncertain. New US tariffs are expected to have significant impacts on individual businesses, but have a smaller impact on the macroeconomic outlook. Retaliatory tariffs on imports of US goods may impact input pricing and risk accelerating inflation. Increasing uncertainty regarding Canada-US trade policy may create an environment in which businesses are hesitant to invest, weighing on activity.

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

Monetary policy easing appears to be at or near its conclusion, with no rate cuts among the major central banks in 2026, and both Japan and the European Union central banks hiking rates in recent months. Inflationary pressures have reemerged, driven by higher energy prices. While these appear to have remained limited to energy rather than broad, persistent inflation, the likelihood of further easing is reduced. Financial conditions could also erode due to uncertainty in the direction of US monetary policy institutions.

Nova Scotia's recent economic growth was linked to faster population growth from both international and interprovincial migration. Interprovincial migration is expected to moderate toward historic trends in the long run, but the pace 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, with the pace of housing starts slowing from recent highs. Completions continue to lag housing starts, with new inventory slow to reach the market. Elevated housing costs continue to strain household budgets as mortgages are renewed at higher interest rates, which may cause consumer spending to slow faster than expected.

Major projects in Nova Scotia may continue to face challenges from labour and supply chain constraints, as well as trade tensions that could alter their timing and economic impacts. Extreme weather events could disrupt household and business activity and pose 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 forecasts of the economic outlook.

The economic forecast only incorporates major projects which have already started and been formally approved. There are a number of planned and upcoming major projects, which have not yet reached this stage. These projects will have a positive impact to the economic forecast as they are realized.

Revenue

Provincial own-source revenue forecast estimates are strongly influenced by the economic outlook prior to the incorporation of actual taxation data that is only available after the end of taxation periods. The revenue models use key 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. PIT and CIT assessments for the 2025 taxation year have not been fully completed, thereby creating the possibility of prior year adjustments.

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

The PIT revenue forecast is influenced by population growth, employment levels, average wages, and investment returns. Employment and wage growth have continued on trend during the first half of 2026. However PIT revenue growth is facing headwinds from slower population growth and economic 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. Corporate taxable income growth is expected to slow and trade impacts could still materialize which could have disproportionate effects on revenue.

HST revenues are primarily derived from consumer expenditures and investment in residential construction. Affordability concerns and uncertainty may limit or delay expenditures on discretionary goods and services. HST revenue from new residential housing, collected at the time of sale or completion, may be delayed from periods of elevated construction.

Expenditures

Inflationary pressures and increases in utilization are risks to increased expenditures. Climate-related events, including flooding, wildfires, hurricanes, and other severe weather incidents, may result in additional costs for emergency response, recovery efforts, disaster assistance, and infrastructure repairs.

Labour market pressures continue in key sectors, particularly health care and construction. Staffing shortages and compensation pressures may increase operating costs, while strong demand for skilled trades may contribute to higher capital project costs and schedule delays. In addition, trade policy uncertainty and potential tariff measures may increase the cost of certain goods, materials, and equipment used in government operations and capital projects. Demand-driven pressures in health care, long-term care, housing, and social support programs may also result in expenditures exceeding forecast assumptions.

