

No bells or whistles, with a focus on health (fiscal and otherwise)

- Budget 2019 stays the course set four years ago; without delivering many new initiatives
- The entire fiscal plan is kept in the black, by maintaining tight control over expenses
- The budget projects a fourth consecutive surplus for Nova Scotia of \$34 million
- There are no new tax measures introduced in the budget
- While expenditures are limited, healthcare is the big winner with \$157 million spending devoted in the capital plan

Maintaining fiscal prudence, as it should

Budget 2019 marks the fourth consecutive surplus in Nova Scotia, and expects continued surpluses through the forecast horizon. The surplus for FY 18/19 is currently forecast to come in marginally lower (\$28.4 million) than previously expected in the Budget 2018 estimates (\$29.4 million). Similarly, while the next four years are all showing steadily rising surpluses, the estimates are now slightly lower than was expected in Budget 2018. The budget reflects the governments stance on maintaining fiscal discipline while delivering some targeted initiatives crucial to the province like healthcare. We believe that fiscal prudence is essential at a time when the global economy is showing signs of softening. The government’s focus on reining in the net debt-to-GDP is encouraging.

Expense discipline prevails with healthcare being top priority

Expenses are forecast to rise by just 2.2% in FY 19/20 with several healthcare initiatives set to lead the spending front. Health spending is targeted towards recruiting more doctors and nurses, funding for mental health services as well as support towards home care and long-term care settings. The capital plan released earlier this year pledged \$157 million in capital grants for healthcare redevelopment projects at the Queen Elizabeth II Health Centre and the Cape Breton Regional Health Centre—touted to be the biggest investments in healthcare in Nova Scotia’s history.

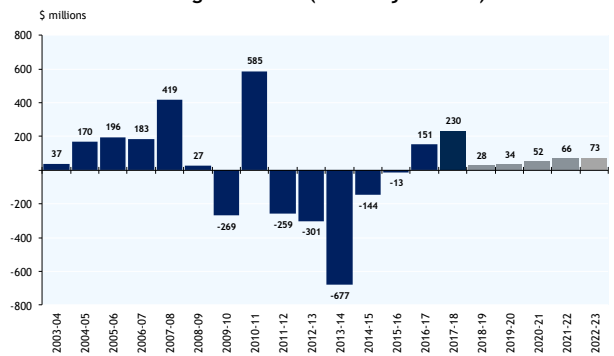
Equalization provides lift to revenues

Revenues will increase 1.4% in FY 19/20 attributed mainly to an increase in federal sources—equalization and other transfers from the federal government— which are set to rise 5%. A venture capital personal and corporate tax measure will provide a 15% tax credit to individuals and corporations who invest in a Venture Capital Corporation or Fund—costing the government \$3 million.

Medium term outlook strong

Revenue growth will peak in FY 21/22 and FY 22/23 growing by 3% and 3.2% respectively, as will expenses—projected to grow by 2.8% and 3.2%. This could be a function of stronger economic growth expected in 2021 and 2022, with real GDP fore-

Nova Scotia Budget Balance (after adjustment)



Source: Nova Scotia Department of Finance and Treasury Board, RBC Economic Research. Projection: ■

Economic Assumptions

Year-over-year % change	Forecast	
	2019	2020

2019 Budget

Real GDP growth	0.8	0.9
Nominal GDP growth	2.8	2.9
Unemployment Rate*	8.1	8.3

RBC Economics

Real GDP growth	0.6	0.8
Nominal GDP growth	1.6	2.8
Unemployment Rate*	7.2	7.2

*Average level

Source: RBC Economic Research, Nova Scotia Department of Finance



cast to grow by 3.6% and 3.2%. A big part of this boost will come from a ramp up in construction of combat vessels at the Halifax Shipyard.

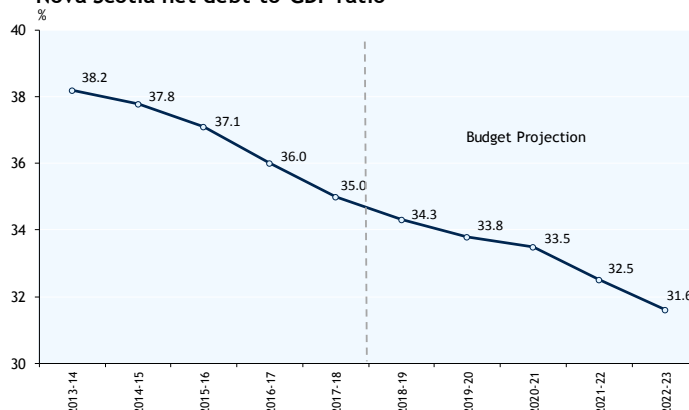
Net debt-to-GDP ratio on target

The province's net debt rises from \$15.1B in FY18/19 to \$15.3B in FY19/20 and ultimately to \$15.7B by FY 22/23. The net debt-to-GDP ratio came in slightly higher in FY 18/19 than estimated in the previous budget at 34.3%, reflecting a revision by Statistics Canada of GDP figures in November 2018. Nonetheless, continued budget surpluses and the expectation of continued growth in nominal GDP will net debt-to-GDP ratio on a declining path. With an expected ratio of 31.6% by FY 22/23, Nova Scotia appears to be on track to meet its target of a 30% net debt-to-GDP ratio by 2024.

Borrowing Requirement

The provincial government projects term debt borrowing requirements of \$1.5B in FY19/20, \$1.4B in FY 20/21, \$1.3B in FY 21/22 and \$893 million in FY 22/23. The increase in FY 19/20 from the previous year was primarily due to a higher level of debt maturities.

Nova Scotia net debt-to-GDP ratio



Source: RBC Economics Research, Nova Scotia Department of Finance and Treasury Board

Budget Summary (millions of dollars)

	Forecast		Estimate		
	2018-19	2019-20	2020-21	2021-22	2022-23
Total Revenue	10,859	11,011	11,223	11,560	11,930
Departmental and Other Expenses	9,797	10,102	10,210	10,551	10,969
Public Debt Charges	863	856	787	757	701
Total Expenses	10,906	11,144	11,187	11,503	11,866
Net Budgetary Balance (before adjustments)	-48	-134	36	57	64
Accounting Adjustments	76	167	16	9	9
Net Budgetary Balance (after adjustments)	28	33	52	66	73
Net Debt	15,069	15,276	15,568	15,652	15,729
Nominal GDP	43,977	45,219	46,537	48,232	49,766
Net debt to GDP Ratio	34.3%	33.8%	33.5%	32.5%	31.6%

Source: Nova Scotia Department of Finance and Treasury Board