



# Laurentian Bank Securities ECONOMIC RESEARCH AND STRATEGY

Sébastien Lavoie • Chief Economist  
514 350-2931 • [LavoieS@vmbl.ca](mailto:LavoieS@vmbl.ca)

Dominique Lapointe, CFA • Senior Economist  
514 350-2924 • [LapointeD@vmbl.ca](mailto:LapointeD@vmbl.ca)

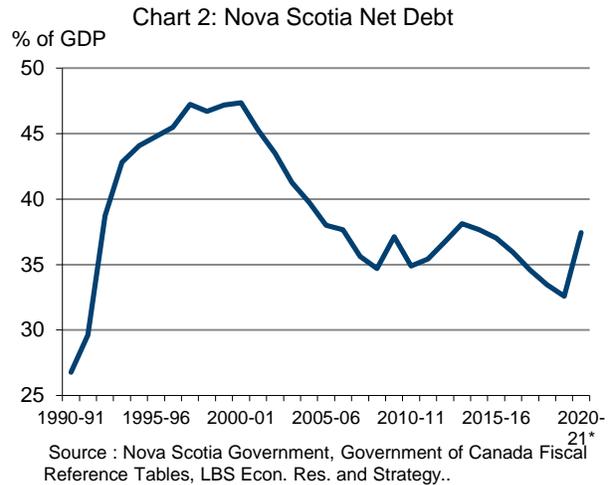
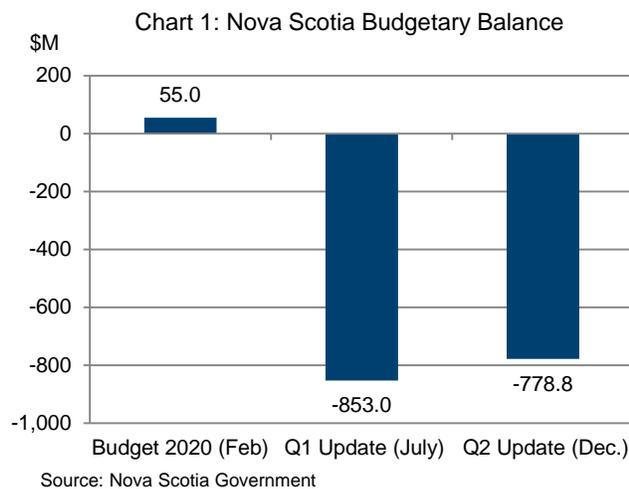
17 December 2020

## Nova Scotia Budget Forecast Update: Pandemic largely under control and fiscal improvements

Nova Scotia released today its second [Budget Forecast Update](#) of the year.

Similar to most Canadian provinces, Nova Scotia's stronger-than-expected reopening after the first pandemic wave led to an upward revision in own-source revenue. Notably, the province expects to collect more HST (+\$146M), reflecting the rapid improvement in retail sales. The largest single source of improvement in this Update comes from \$421M in additional federal transfers under the Safe Restart Agreement, the Safe Return to Class Fund and the Essential Workers Wage Program, making up the single largest source of revenue revision in today's update. Overall, total revenues are up by \$346M (+3.0%) relative to the previous update published in July.

Total expenditures were revised up to a lesser extent than revenues (+\$238M, +1.9%). Additional funding is dedicated to health care, education and transfers to municipalities, as a response to COVID-19. Overall, the FY 2020-21 deficit is now projected at \$779M (1.7% of GDP), a \$74M improvement from the July update (chart 1). As a result, Nova Scotia's net debt is projected to reach 37.5% of GDP, its highest level since FY 2015-16, but much below the highs of the late 1990s and the early 2000s (chart 2).



Relative to most jurisdictions, the financial impact of the pandemic on Nova Scotia's public finances is less severe. The 1.7% deficit-to-GDP is moderate and manageable, not critical. The pandemic clearly hit less severely Atlantic Provinces including Nova Scotia than the rest of the country last spring.

Also, prudent measures have been taken to prevent a second wave surge. The Nova Scotia government notably implemented restrictions in restaurants and limited social gatherings in the Halifax Regional Municipality in late November. Thus, the improvement relative to the July update is subject to changes since today's Update includes information up to November 9. Due to uncertainty related to the path of the pandemic this winter, Finance and Treasury Board was provided the authority to borrow an additional \$1.0B by the end of the fiscal year. If needed, the additional debt would be added to the \$1.7B already borrowed this year.





The good news is that the number of new daily cases declined in recent weeks. The total number of active cases stands at 50 as of today. Furthermore, the 2021 outlook remains favourable since the vaccination process is underway in Nova Scotia, the rest of the country and globally, reinforcing the expectation of a broad and sustainable economic recovery.

**Dominique Lapointe, CFA** | Senior Economist  
514 350-2924 | [lapointed@vmbi.ca](mailto:lapointed@vmbi.ca)