

Chapter 3

Nova Scotia's Finances from the 2022 Public Accounts

Key Messages

- Nova Scotia's economy and finances are rebounding to pre-COVID-19 levels
- 2021-22 operating surplus of \$351 million
- Net debt to GDP ratio of 32.2% below pre-pandemic level
- Federal transfers as a percentage of total revenues remain at the top of the five-year trend but improved over 2020-21

Why We Did This Chapter

- To provide important information to Nova Scotians on the Province's finances and promote discussion

Financial Condition of the Province of Nova Scotia

Government's financial condition can be assessed by ratios and indicators of sustainability, flexibility, and vulnerability. These indicators are suggested by Canada's CPA independent Public Sector Accounting Board.

Sustainability indicators show the Province's ability to maintain existing services and financial requirements without needing to increase revenues or debt

- 2021-22 operating surplus of \$351 million driven by increased revenues following a deficit in 2020-21
- Net debt increased to \$16.6 billion since 2017-18 but rate of growth year over year is back to pre-pandemic levels
- Net debt to GDP ratio of 32.2% in 2021-22 is below pre-pandemic levels
- Actual borrowings were less than budgeted in 2021-22 but unmatured debt increased by \$35 million to \$14.85 billion and remains on the high end of the five-year trend
- Overall: while indicators have fluctuated over the past five years, operating surplus and net debt to GDP have improved over 2020-21

Flexibility indicators show the Province's ability to increase revenues or debt borrowings within its economy

- Interest on unmatured debt has decreased from 2017-18 levels, specifically by \$51 million to \$576 million in 2021-22 compared to the prior year, and a five-year low
- In 2021-22 provincial source revenue to GDP ratio increased by 1.3 percentage points to 17.7% but is still relatively stable from years prior
- Overall: flexibility indicators have shown improvement in the Province's ability to increase debt borrowings within its economy

Vulnerability indicators show the Province's reliance on revenues outside of its control

- Dependency on federal government transfers increased over past five years to 35.2% in 2021-22
- Overall: federal transfers as a percentage of total revenues improved over the prior year but remain at the high end of the five-year trend

Selected Financial Highlights

Revenue:

- At \$9.1 billion, provincial source revenue was \$961 million higher than budget with \$389 million resulting from prior year adjustments
- Personal income tax revenue of \$3.1 billion was higher than both the budget and prior year amounts, and has risen 13% since 2017-18
- Harmonized sales tax revenue of \$2.1 billion was higher than both the budget and prior year amounts and has risen 16% since 2017-18
- Corporate income tax revenue of \$518 million rebounded from 2020-21 but remains on the low end of the five-year trend
- Net income from government business enterprises of \$406 million is the peak of the five-year trend