

Chapter 2

Financial Impacts of COVID-19 on the Province of Nova Scotia, 2020-21

Key Messages

- Nova Scotia's economy and finances were significantly impacted by COVID-19
- COVID-19 relief spending was significant at \$698 million in expenses
- The Province increased its borrowing as a result of the financial impact of COVID-19 with unmatured debt increasing \$1.1 billion

Why We Did This Chapter

- To provide an update on the impact of COVID-19 on the Province's finances
- To provide additional important information about the Province's financial response to COVID-19

Significant Impact to the Province's Economy and Financial Results

- Nova Scotia's economy was negatively impacted by COVID-19 with a nominal GDP decline of 2.2% in 2020
- The Province ended 2020-21 with an actual deficit of \$342 million – considerably less than the \$55 million surplus originally budgeted
- Net debt increased \$1.2 billion to \$16.4 billion in 2020-21
- The Province's net debt-to-GDP ratio was 3.3 percentage points higher than prior year
- Unmatured debt increased \$1.1 billion to \$14.8 billion in 2020-21
- Overall, the Government approved \$1.1 billion in additional appropriations for extra 2020-21 spending not covered by the 2020-21 Budget

COVID-19 Specific Relief Measures

- COVID-19 specific relief measures included \$698 million in expenses and \$242 million in capital spending in 2020-21
- Department of Health and Wellness (DHW) incurred \$392 million in expenses in 2020-21 mostly related to income stabilization and virtual care fees for doctors and Essential Health Care Workers Program
- Department of Municipal Affairs and Housing incurred \$78 million in expenses in 2020-21 related primarily to funding municipalities through the Federal Safe Restart Agreement
- Department of Education and Early Childhood Development incurred \$67 million in expenses in 2020-21 mostly for the safe reopening of schools and childcare sector supports



Negative Impact on Provincial Source Revenue During the Pandemic

- Provincial source revenue was \$505 million lower in 2020-21 than originally budgeted
- Major tax revenues were significantly impacted by COVID-19:
 - Personal income tax revenue was \$52 million less than budget
 - Corporate income tax revenue was \$131 million less than budget
 - Harmonized sales tax was \$103 million less than budget

Questions Nova Scotians May Want to Ask

1. What steps has the Province taken to ensure COVID-19 spending is achieving government's intended outcomes?
2. Are there industries in the Province that are not expected to fully recover from the impacts of COVID-19 and what does this mean for Nova Scotians?
3. How will the Province pay for the increased debt?
4. What is the Province's long-term economic recovery plan?
5. Who provides oversight for additional appropriations since they are not approved by the House of Assembly?