Reference Guide – Chapter 2: Nova Scotia's Finances from the 2025 Public Accounts

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2 Nova Scotia’s Finances from the 2025 Public Accounts

Purpose

2.1 The purpose of this chapter is to inform Nova Scotians on the Province’s finances and to promote discussion. Additional information, including economic highlights, is presented in the Financial Statement Discussion and Analysis section in Volume 1 of the 2025 Public Accounts of Nova Scotia where there are almost 60 pages of detailed analysis and explanation.

Financial Indicators – What They Show

Indicators are showing both favourable and unfavourable trends

2.2 The indicators reported in this chapter are meant to provide additional information on the Province’s financial condition but are not intended as commentary on the financial impact of government policies or fiscal management. Indicators included are among those recommended for reporting by the Public Sector Accounting Board’s Statement of Recommended Practice – 4: *Indicators of Financial Condition*.

2.3 The indicators provide an overview of the Province’s financial performance for the five-year period ending March 31, 2025, and are summarized in the table below.

Financial Highlights

Indicator	Five-Year Trend
Sustainability	
Annual surplus or deficit	Favourable
Net debt	Unfavourable
Net debt to GDP	Favourable
Net debt to total revenue	Favourable
Unmatured Debt	Unfavourable
Flexibility	
Interest on unmatured debt	Unfavourable
Provincial source revenue to GDP	Unfavourable
Debt servicing costs to total revenue	Favourable
Debt servicing costs per capita	Unfavourable
Vulnerability	
Federal transfers to total revenue	Favourable

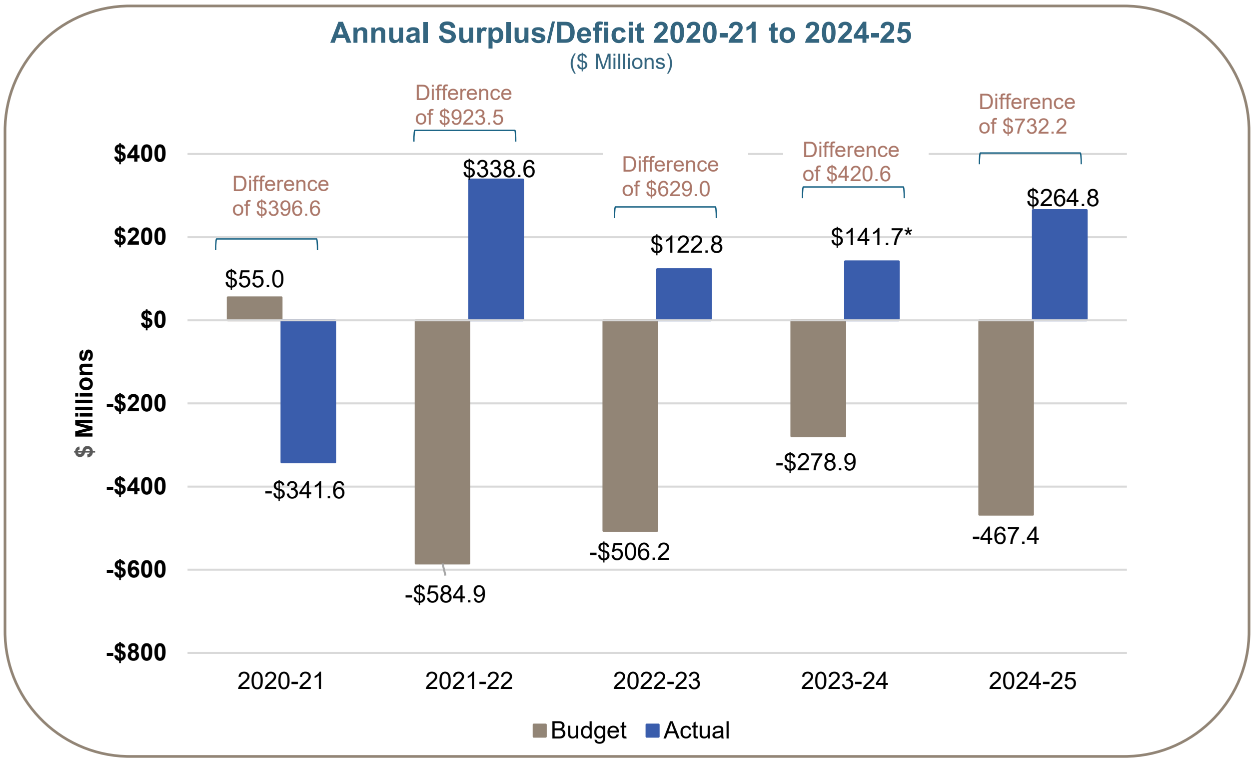
2.4 It is important to note the significant impact of the COVID-19 pandemic on trends of the Province’s financial indicators. The pandemic caused unexpected costs, disrupted normal operations, and resulted in a downturn in the Province’s economy and finances. What followed was an economic rebound that resulted in unprecedented levels of growth in GDP and total revenues. The rebound may cause some indicators to appear more favourable than usual, and it is important to recognize that these levels of growth might not continue. The 2020-21 year was significantly impacted, therefore, when analyzing data from 2020-21 to 2024-25, particularly those involving GDP and revenues, consideration should be given to the unusual nature of the five-year period to avoid misinterpreting long-term trends. Further detail is provided in paragraph 2.16.

Sustainability

2.5 Sustainability measures the ability of a government to maintain its existing programs and services, including its financial obligations to creditors, without increasing debt or tax rates.

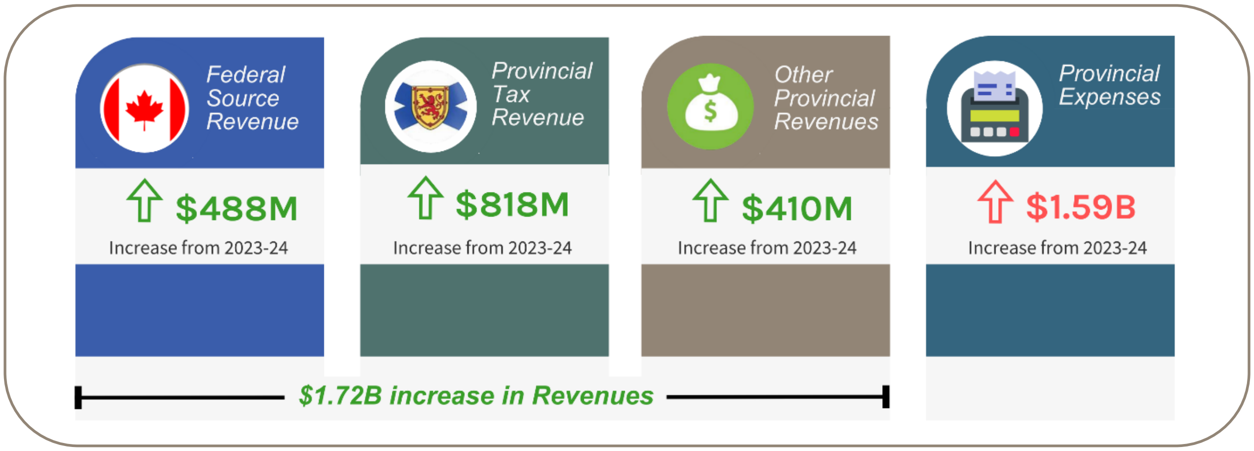
The Province reports a provincial surplus of $264.8 million for the year 2024-25

2.6 For the fourth year in a row, reported results in 2024-25 show improvement over the initial 2024-25 budget estimates. The difference between budget to actuals increased in 2024-25. The difference in 2024-25 was $732.2 million as compared to $420.6 million reported for 2023-24, and $629.0 million reported for 2022-23.



Source: 2020-21 to 2024-25 Public Accounts
**See Note 2 of the 2024-25 Consolidated Financial Statements: 2023-24 value was restated from $143.6 M to $141.7 M*

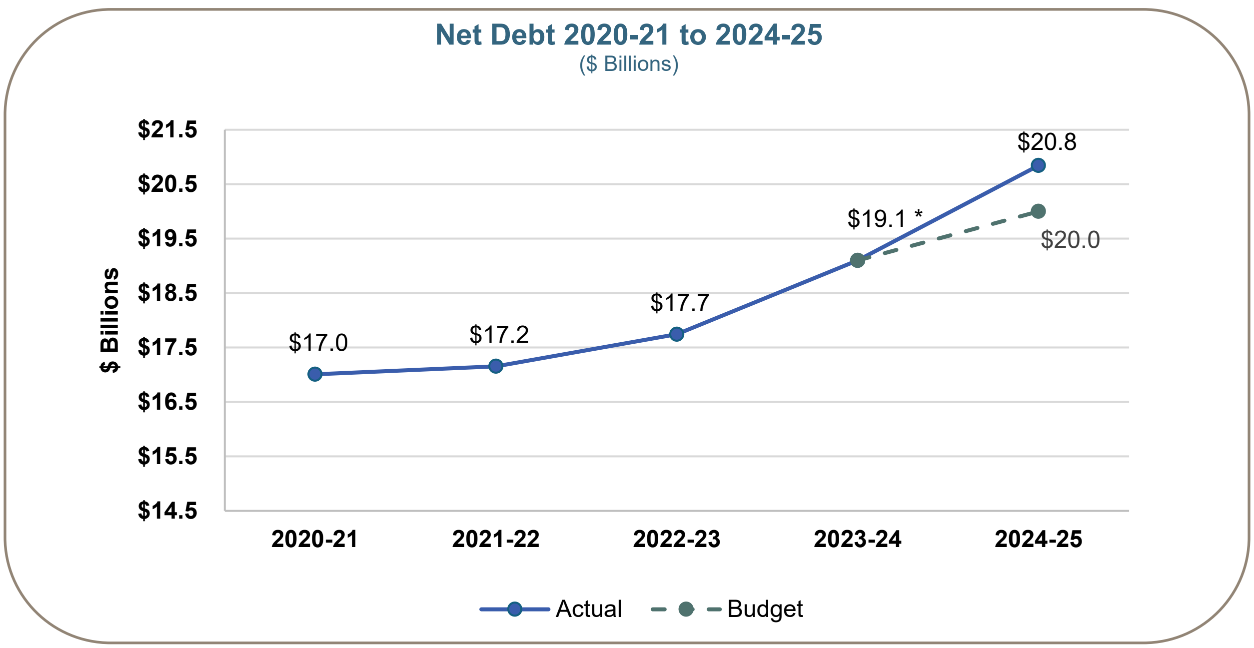
2.7 This year's audited financial statements reported a surplus of $264.8 million which was approximately $123 million higher than the prior year's restated surplus. The 2024-25 revenues were $1.72 billion higher than prior year and expenses were $1.59 billion higher.



Source: 2024-25 Public Accounts

The Province's net debt continues to increase and reached $20.8 billion in 2024-25

2.8 Nova Scotia's net debt continues to grow despite recent reported surpluses and was $20.8 billion at the end of 2024-25. A trend of increased net debt weakens a government's financial position. More of its future revenues will be needed to pay its past debts and could negatively impact the ability to provide the necessary level of services needed by its citizens without additional borrowing or increasing revenues. Results in 2024-25 show an increase of $1.7 billion in net debt over 2023-24, and an increase of $812 million from the adjusted estimate reported in the 2024-25 Public Accounts.



Source: 2024-25 Public Accounts, 2023-24 Public Accounts and 2024-25 Nova Scotia Budget
**See Note 2 of the 2024-25 Consolidated Financial Statements: 2023-24 value was restated from $18.5 B to $19.1 B*

2.9 In 2024-25, Nova Scotia's $28.1 billion in liabilities exceeded its financial assets of $7.3 billion, resulting in $20.8 billion reported for net debt on the consolidated financial statements.

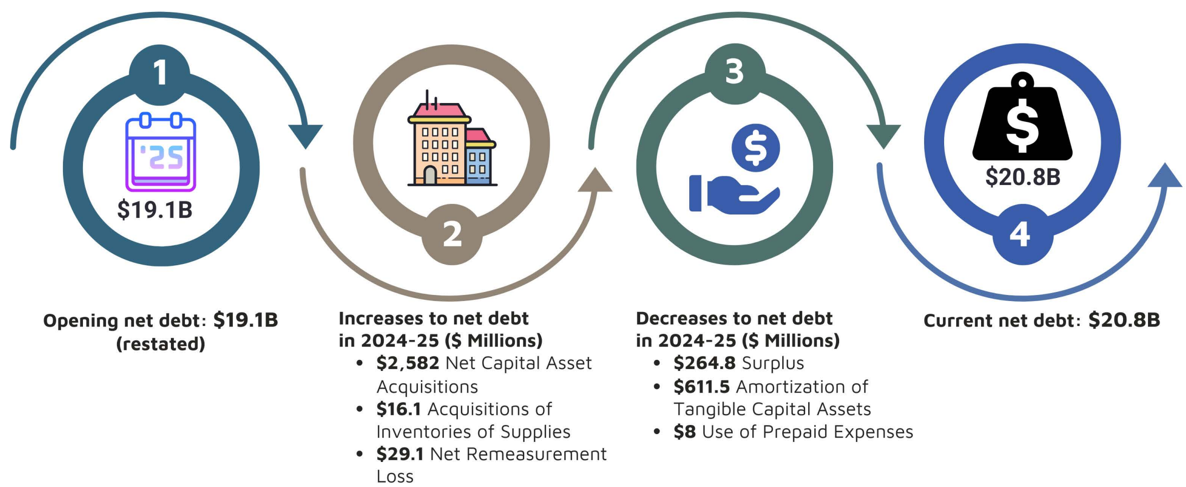
Nova Scotia's Liabilities and Financial Assets

	Financial Assets 2025 **$7.3B**	Cash, Accounts Receivable, Loans Receivable, Investments*
−	Liabilities 2025 **$28.1B**	Accounts Payable, Bank Advances, Unmatured Debt, and Pension, Retirement and Other Obligations*
=	Net Debt 2025 **$20.8B**	Reported for net debt on the consolidated financial statements

Source: 2024-25 Public Accounts
**Refer to 2024-25 Public Accounts for full list of liabilities & financial assets*

2.10 The key factor to the $1.7 billion increase in net debt for 2024-25 was the net capital asset acquisitions of $2.6 billion, which was offset slightly by the $264.8 million surplus and $611.5 million in amortization.

Factors Contributing to $1.7B Increase in Net Debt

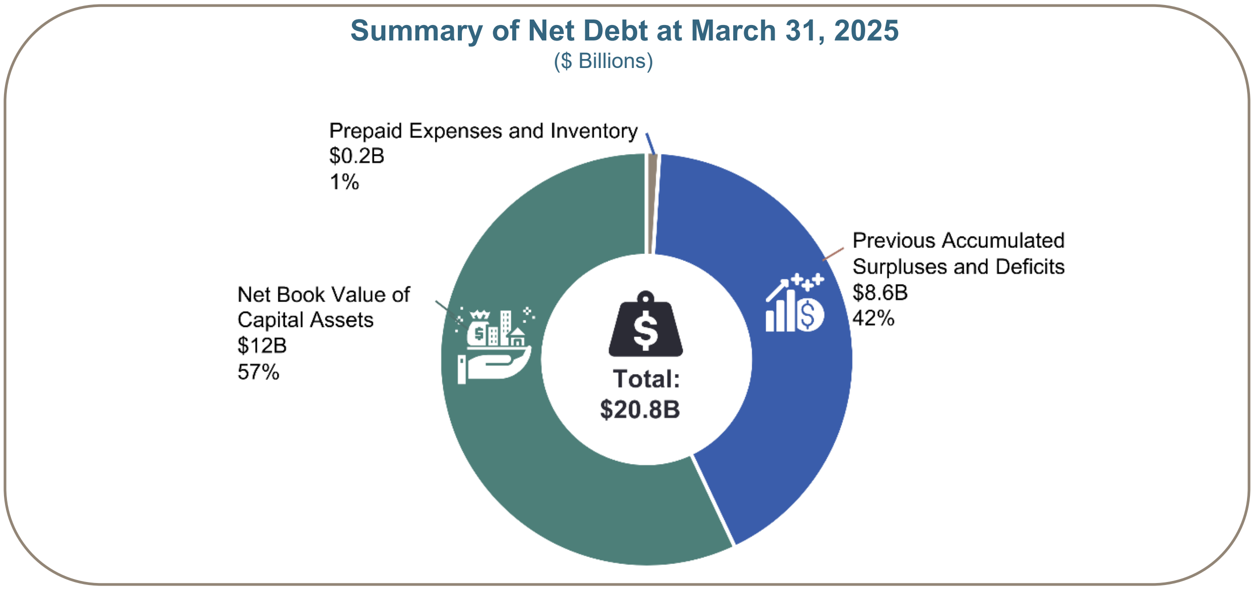


Source: 2024-25 Public Accounts

2.11 The tangible capital asset balance changes due to additions, disposals and amortization of provincial assets. The most significant categories of capital assets include:

- Buildings and land improvements
- Roads, bridges and highways
- Land
- Machinery, computers and equipment

2.12 In 2024-25, tangible capital assets accounts for 57 per cent of the net debt. Two significant increases include $324.9 million of care facilities at the Department of Seniors and Long-term Care, and $322.8 million in roads, bridges and highways, which is driven primarily by the Halifax-Dartmouth Bridge Commission ($263.6 million) as it transitions from a Government Business Enterprise to a Crown corporation. See Chapter 1 for more details on both.

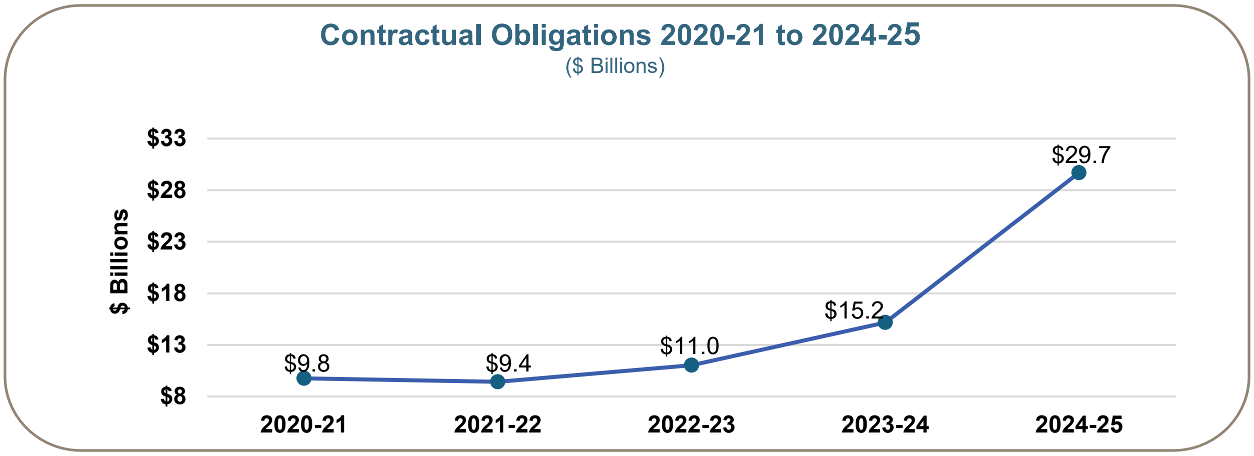


Source: 2024-25 Public Accounts

The Province's contractual obligations continue to increase and reached $29.7 billion in 2024-25

2.13 The Province's contractual obligations are obligations to others that will become liabilities in the future when the terms of the contracts or agreements are met. It is only when they become liabilities that the obligations are added to the Province's net debt. For example, when the contract terms of a long-term care facility indicate that the Province is obligated to begin funding operations upon opening, the contractual obligation is only included in net debt when the facility begins providing services and not necessarily when the contract was signed.

2.14 Over the past five years, Nova Scotia's contractual obligations have increased from $9.8 billion in 2020-21 to $29.7 billion in 2024-25. In 2024-25, one of the major contributors to the increase was $7.2 billion for service agreements with long-term care facility operators at the Department of Seniors and Long-term Care.



Source: 2020-21 to 2024-25 Public Accounts

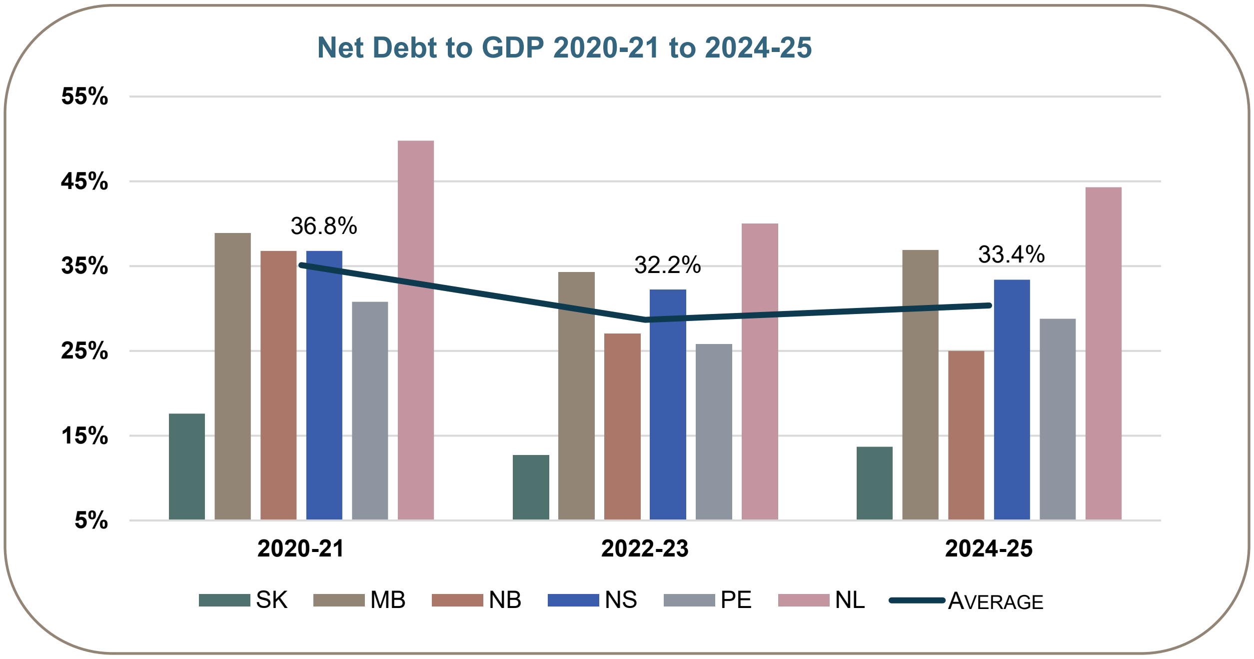
Province's net debt to GDP ratio has remained relatively stable due to continued economic growth

2.15 The net debt to GDP ratio is used to assess the Province's ability to pay its financial obligations and render services.

- A low ratio indicates a level of economic output that supports debt repayment.
- The higher the ratio, the more difficult it may be for the Province to pay its debt while maintaining the same service levels and tax rates.

2.16 As reported above, over the past five years, the Province's net debt has grown by $3.8 billion while the net debt to GDP ratio has decreased slightly and remained relatively stable overall. This indicates that the increase in net debt has been offset by increased GDP. Nova Scotia's GDP grew $16.2 billion or 35 per cent over the same period, largely driven by a rebound in economic activity following the COVID-19 pandemic. The September 2025 Budget Forecast update shows the 2025-26 deficit is forecast to increase from $697.5 million to $1.2 billion primarily driven by increases in expenditures. Should the level of economic growth experienced since the end of the pandemic slow down, the net debt-to GDP ratio could rise.

2.17 Compared to other Atlantic provinces and those of similar population, Nova Scotia reports an above-average net debt to GDP ratio. The percentages are not strictly comparable between provinces due to accounting and reporting differences.



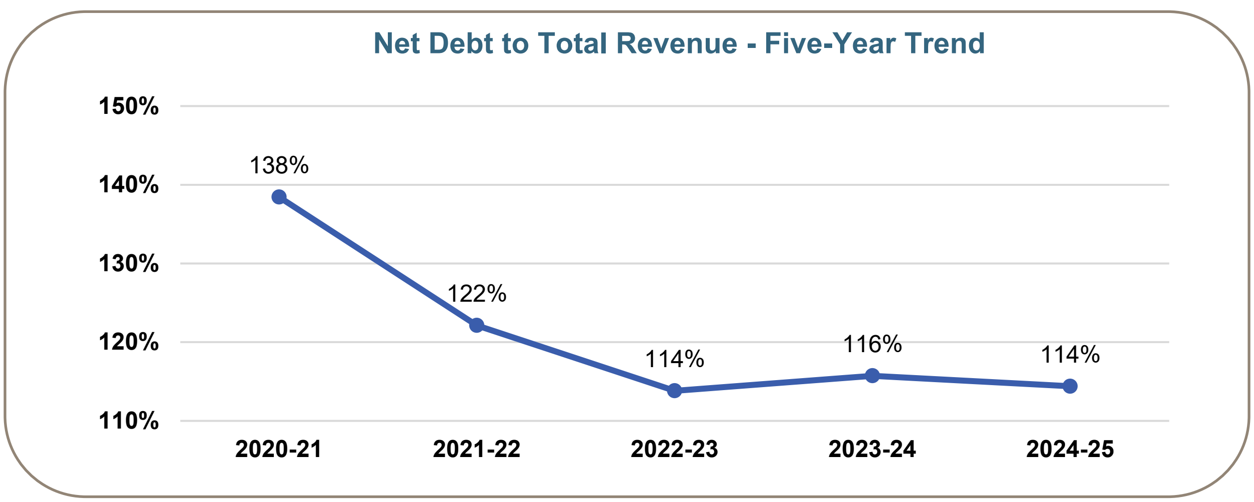
Source: 2024-25 Public Accounts of Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador

Net debt to total revenue improved over the last five years

2.18 Net debt to total revenue provides a measure of the future revenue that is required to pay for past transactions and events.

- A decreasing net debt to total revenue ratio indicates higher sustainability, as less time may be required to repay debt.
- An increasing net debt to total revenue ratio indicates lower sustainability, as more time may be required to repay debt.

2.19 Net debt to total revenue improved in 2024-25 and matched the low of 114 per cent realized in 2022-23.

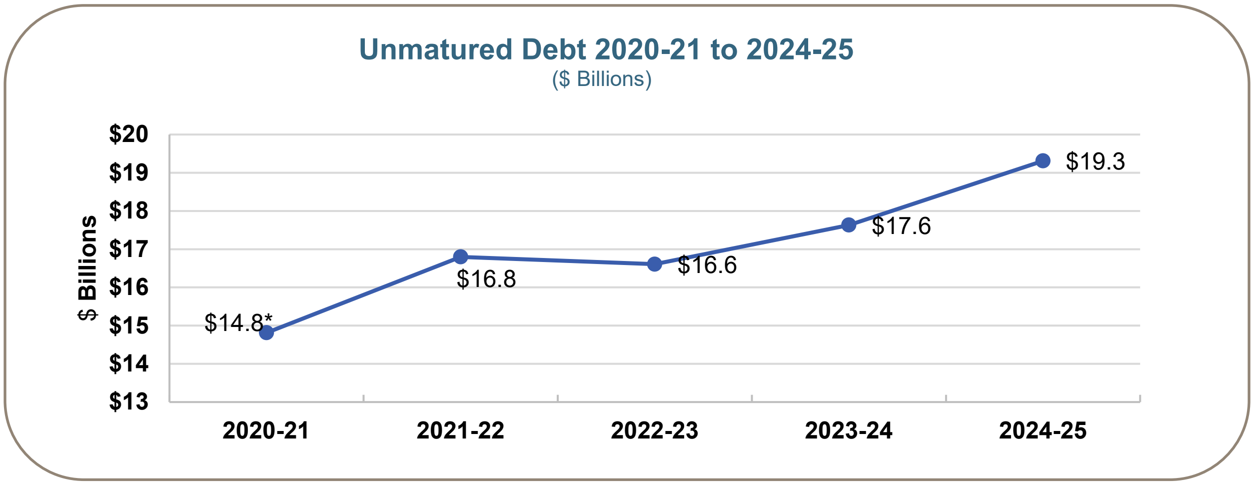


Source: 2024-25 Public Accounts

Province's unmatured debt increased by $1.7 billion to $19.3 billion in 2024-25

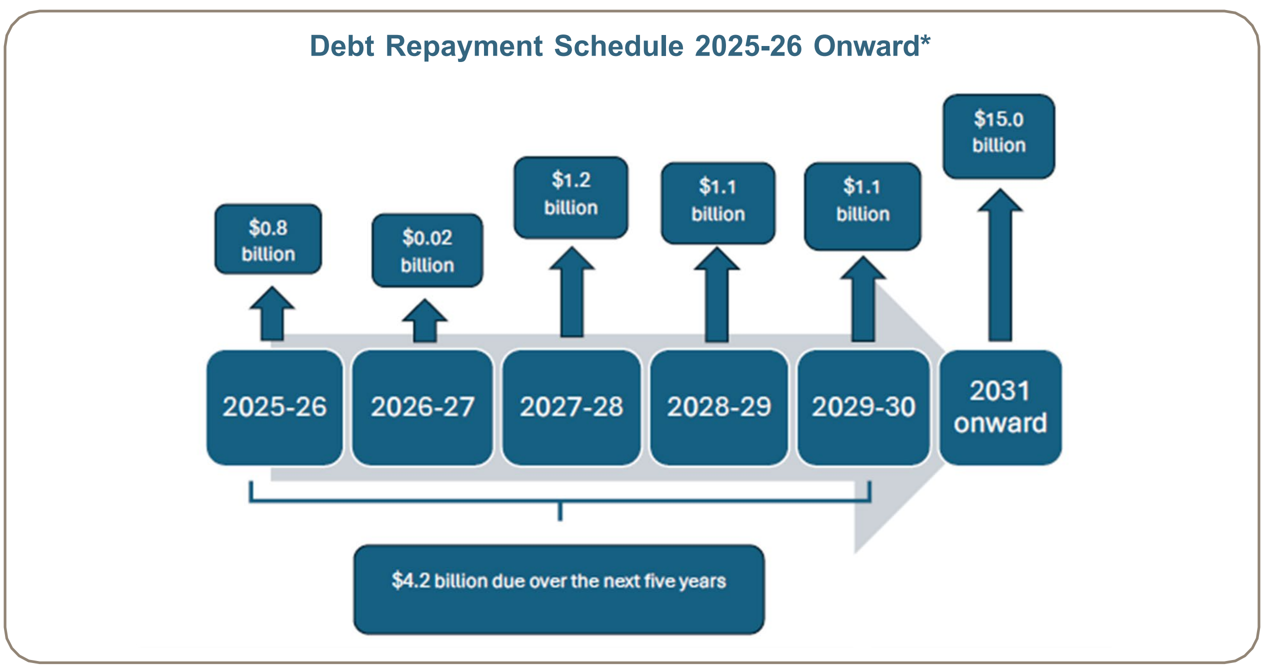
2.20 The Province's unmatured debt is primarily made up of long-term debentures and various loans. It includes new debt issuances and those from prior years.

2.21 Between 2023-24 and 2024-25, unmatured debt increased $1.7 billion; and, since 2020-21, has increased $4.5 billion.



Source: 2024-25 Public Accounts
**2020-21 has not been restated for the impacts of PS 3450 Financial Instruments*

2.22 Paying down debt will take up a significant portion of the province's revenues in both the short- and long-term. Future cash requirements to repay debt in the next five years and beyond are outlined in the chart below.



Source: 2024-25 Public Accounts
**Amounts here have been rounded*

Flexibility

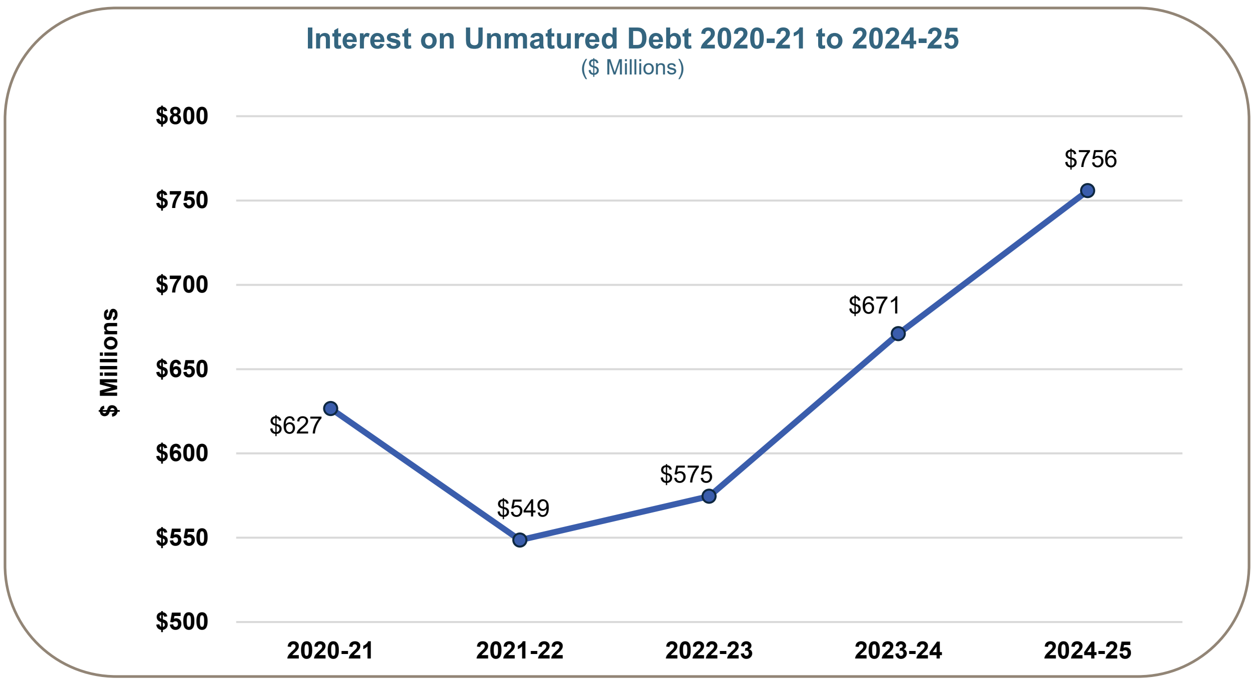
2.23 Flexibility is the degree to which a government can change its debt or tax burden on the economy to meet its existing financial obligations. Increasing debt obligations and growing interest costs reduce a government's future flexibility and its ability to adapt to changing circumstances.

Interest on unmatured debt increased $85 million in 2024-25

2.24 Interest on unmatured debt includes interest on outstanding debentures, loans, capital leases and other costs related to debt financing.

- Higher interest on unmatured debt means the Province is using more of its revenue to pay for interest and is therefore not able to use that money to provide services or reduce taxation.
- Lower interest on unmatured debt allows the Province greater flexibility to provide its services and meet financial commitments.

2.25 The interest on unmatured debt for 2024-25 was $756 million; an increase of $207 million from the five-year low of $549 million in 2021-22.



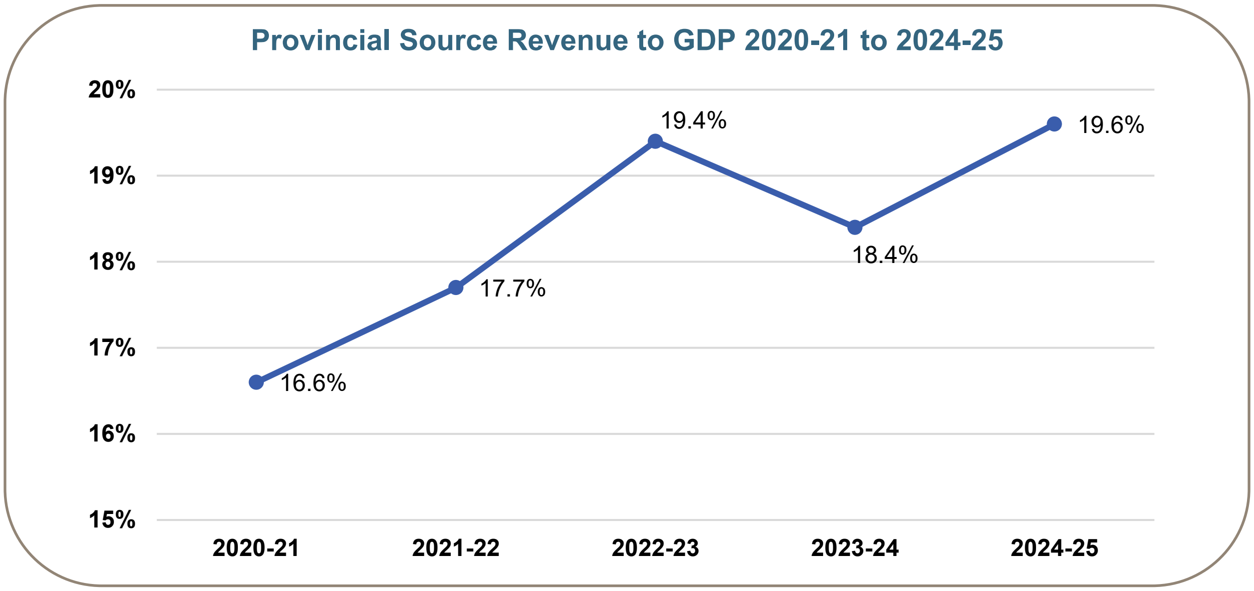
Source: 2024-25 Public Accounts

Provincial source revenue to GDP worsened in 2024-25, increasing to 19.6%

2.26 Provincial source revenue as a percentage of GDP shows the extent to which the government is leveraging funds it collects through taxation, user fees, and other revenue sources it controls. A high taxation burden may make a jurisdiction less competitive and limit a government's ability to increase own-source revenues. This indicator can help a government determine the extent to which it can access provincial source revenues in the future.

- Increases in this ratio may reduce future flexibility in generating revenue.
- Decreases in this ratio may increase future flexibility in generating revenue.

2.27 The demands on the provincial economy are increasing and are at the highest level in the past five years at 19.6 per cent.



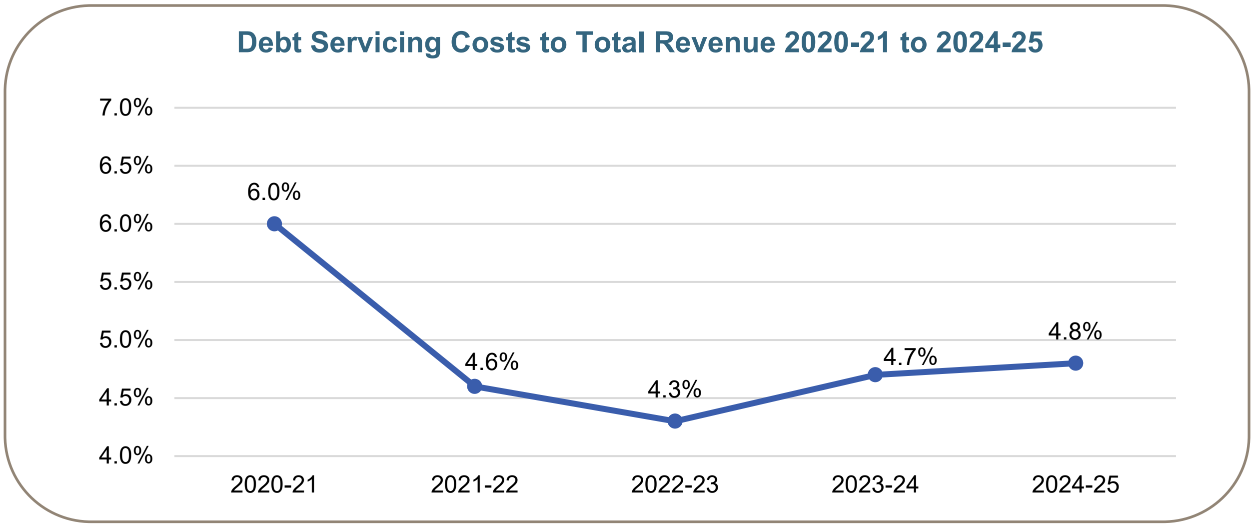
Source: 2024-25 Public Accounts

Debt servicing costs to total revenue have increased slightly from 2023-24

2.28 Debt servicing costs to total revenue measures the proportion of every dollar of revenue that is needed to pay for debt related costs, including interest on unmatured debt, leaving less room for program initiatives, tax reductions, or debt reduction.

- A lower ratio indicates the Province needs less revenue to meet interest costs on outstanding debt and therefore has more flexibility in meeting financial commitments.
- A higher ratio indicates the Province needs more revenue to meet interest costs on outstanding debt and therefore has less flexibility in meeting financial commitments.

2.29 The Province's debt servicing costs to total revenue increased slightly in 2024-25 but is 1.2 percentage points lower than 2020-21.

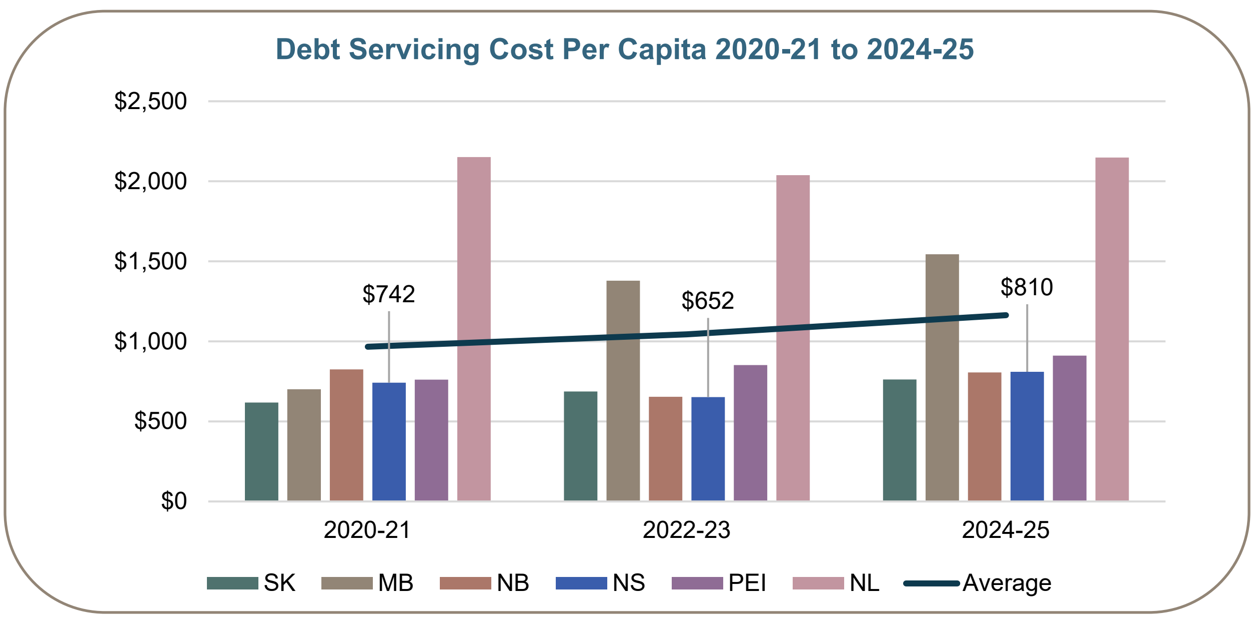


Source: 2024-25 Public Accounts

Debt servicing costs per capita is the highest of the past five years

2.30 The debt servicing costs per capita presents the interest on unmatured debt and other obligations the Province paid in relation to every Nova Scotian. The cost-per-Nova Scotian continues to increase and at $810, is the highest of the past five years (the lowest of $637 was reported in 2021-22).

2.31 The following chart shows Nova Scotia's debt servicing costs per capita compared to other Atlantic provinces and those of similar population. While the results are not strictly comparable between provinces due to accounting and reporting differences, the chart shows that Nova Scotia is one of the provinces with a lower-than-average ratio.



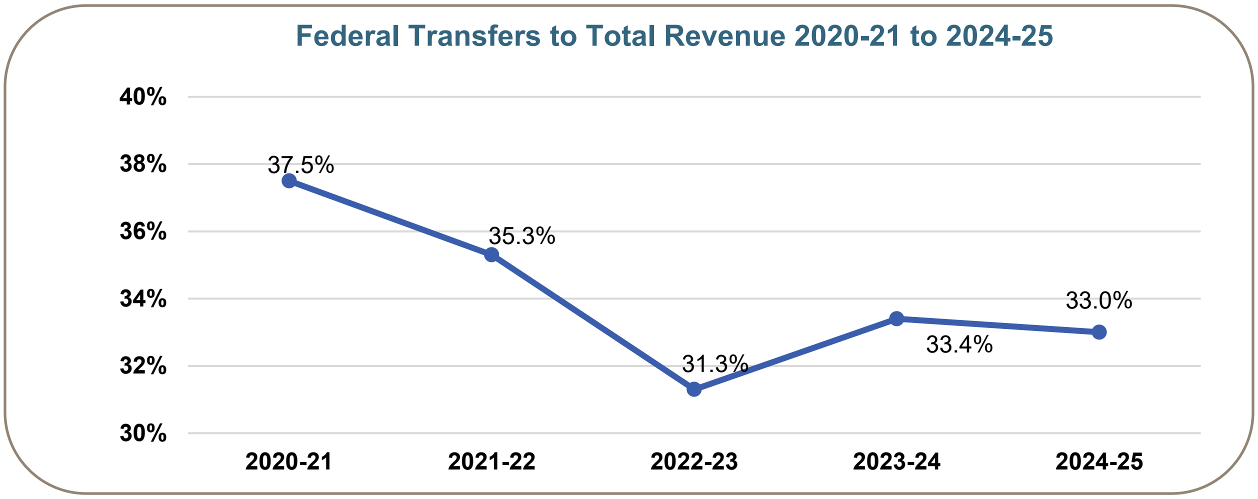
Source: Recalculated by OAG NS from the 2020-21 to 2024-2025 Public Accounts of Saskatchewan, Manitoba, New Brunswick, Nova Scotia, Prince Edward Island and Newfoundland and Labrador and the population estimates from Statistics Canada

Vulnerability

2.32 Vulnerability indicators measure a government's dependency on sources of revenue outside its control and its exposure to risks which might affect a government's ability to meet its commitments.

Dependency on federal government transfers has slightly decreased from prior year

2.33 Nova Scotia continues to rely on federal government equalization payments and other transfers. $1 in every $3 of the Province's revenue comes from the federal government. The 2024-25 result decreased slightly by 0.4 percentage points from prior year.



Source: 2024-25 Public Accounts

Revenue Highlights

2.34 Information presented in this section is strictly the reported financial results and is not intended as commentary on policy decisions, actual programs and services, inflation, and other factors impacting the reported revenues.

Provincial source revenue $1.5 billion higher than budget

2.35 In 2024-25, the Province budgeted $10.7 billion from consolidated provincial source revenue. However, actual consolidated provincial source revenue was $12.2 billion, $1.5 billion higher than budgeted.

2.36 A large portion of the $1.5 billion in revenues over budget is attributed to Prior Year Adjustments (PYAs). PYAs are recorded as more current information becomes available. For example, the tax revenues for the year are estimated based on forecasting both future economic and tax filing data since there is a lag between when the forecast is made and the receipt of actual results (i.e. once personal tax returns are filed and assessed). As actual filing data is received, the Province records a PYA for the difference between the original estimate and the most recent actual data. The largest PYAs are generally recorded for personal income tax, corporate income tax, and harmonized sales tax revenues. The PYAs are not budgeted; therefore, the $576 million in PYAs recognized in 2024-25 resulted in revenues being over budget and were comprised of:

- $272.1 million PYA for personal income tax
- $163.9 million PYA for corporate income tax
- $70.1 million PYA for harmonized sales tax

- $55.3 million PYA for Petroleum royalties; and
- $14.7 million PYA for financial institutions capital tax

2.37 The largest provincial revenue sources are major tax revenues which in 2024-25 were:
- Personal income tax revenue $4.5 billion[1]
- Harmonized sales tax revenue $2.7 billion[1]
- Corporate income tax revenue $942.5 million[1]

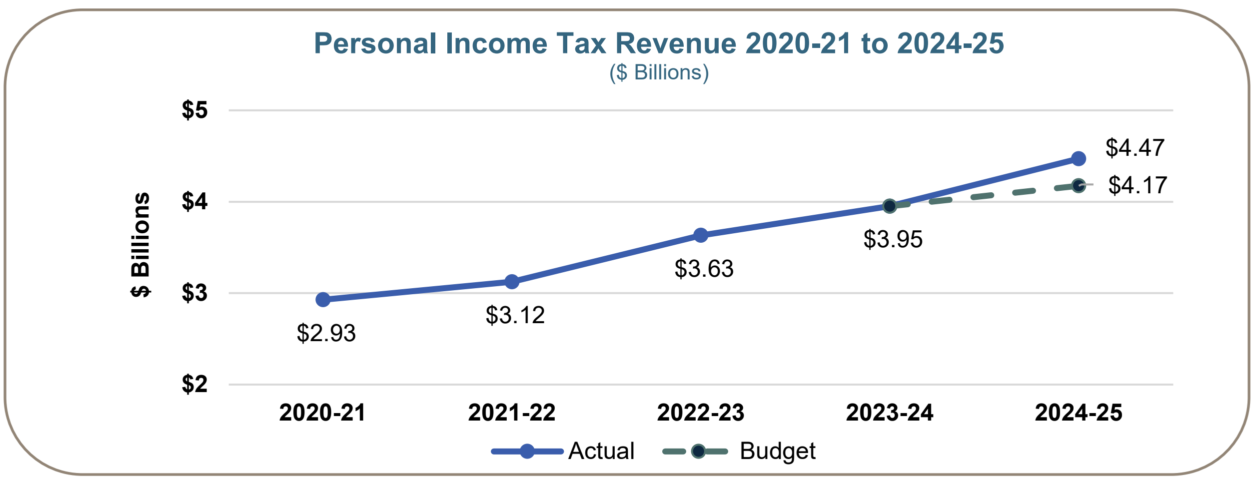
2.38 The PYAs from underestimating these major tax revenues have resulted in the Province realizing a large increase in revenue from original estimates. Over the last few years, the Province has used a significant portion of these unbudgeted revenue windfalls to advance various programs and initiatives using additional appropriations. See Chapter 1 for discussion on additional appropriations.

2.39 The Province has adjusted the forecasting tax models in 2024-25 to attempt to reduce the large PYAs. For the first time, this year's model incorporates a tax sharing statement (TSS) from June 2025 while in the past, the model would include a December TSS related to the previous tax year. This update was possible because of the later release of the 2024-25 Public Accounts in September 2025 rather than the historical timing of July. The updated model can lead to more accurate forecasts which could in future reduce the PYAs.

Personal income tax revenue was higher than both the budget and prior year amounts

2.40 Personal income tax revenue of $4.5 billion was the largest source of provincial revenue reported in 2024-25. It was $297 million or 7.1 per cent higher than the budget, primarily due to higher projections for both taxable income and the yield rate. Consideration of yield rates is important because income tax is calculated at progressively higher tax rates for incrementally higher income. For example, yield rate and tax collected from individuals earning higher income is greater than that collected from individuals with lower income. Higher-income individuals pay a higher tax rate on their higher levels of income and therefore the tax yield on their income overall is greater.

2.41 Personal income tax revenue has risen by $1.5 billion or 53 per cent since 2020-21.



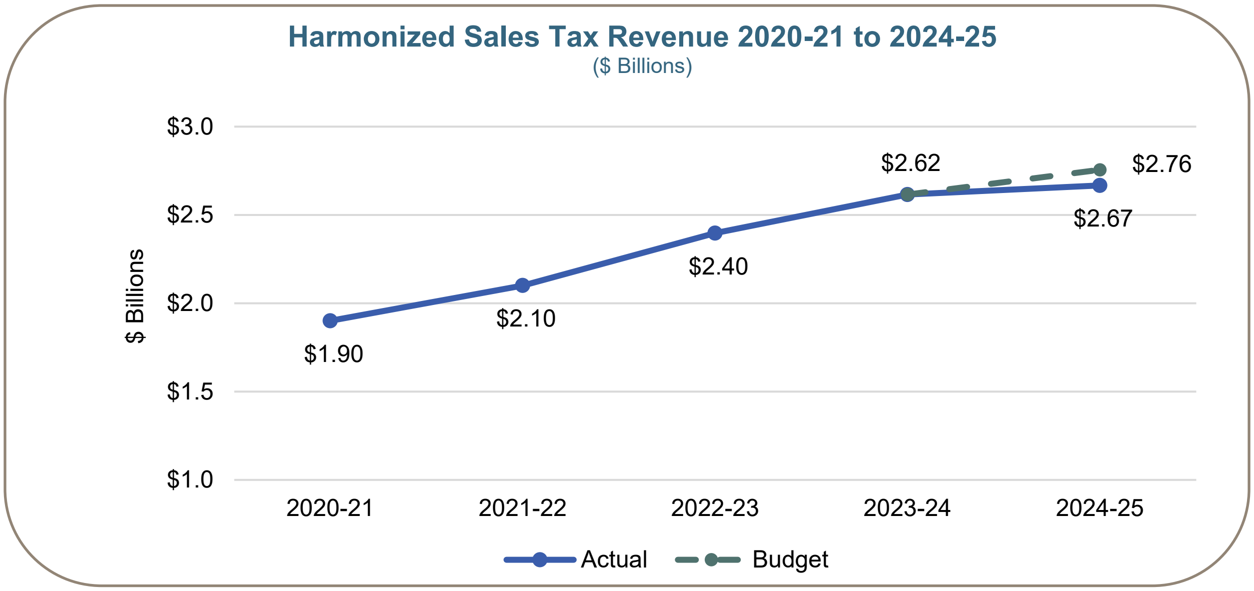
Source: 2020-21 to 2024-25 Public Accounts

[1] This amount does not include prior year adjustments

Harmonized sales tax revenue was lower than the budget and higher than prior year amounts

2.42 Harmonized sales tax revenue was $88.6 million lower in 2024-25 compared to the budget primarily due to higher rebates, including the temporary HST tax relief provided from December 14, 2024 to February 15, 2025. During the two-month tax break, no HST was charged on qualifying items or services.

2.43 Harmonized sales tax revenue has been on an upward trend since 2020-21 and has grown by $766 million or 40 per cent since 2020-21 to $2.7 billion in 2024-25.

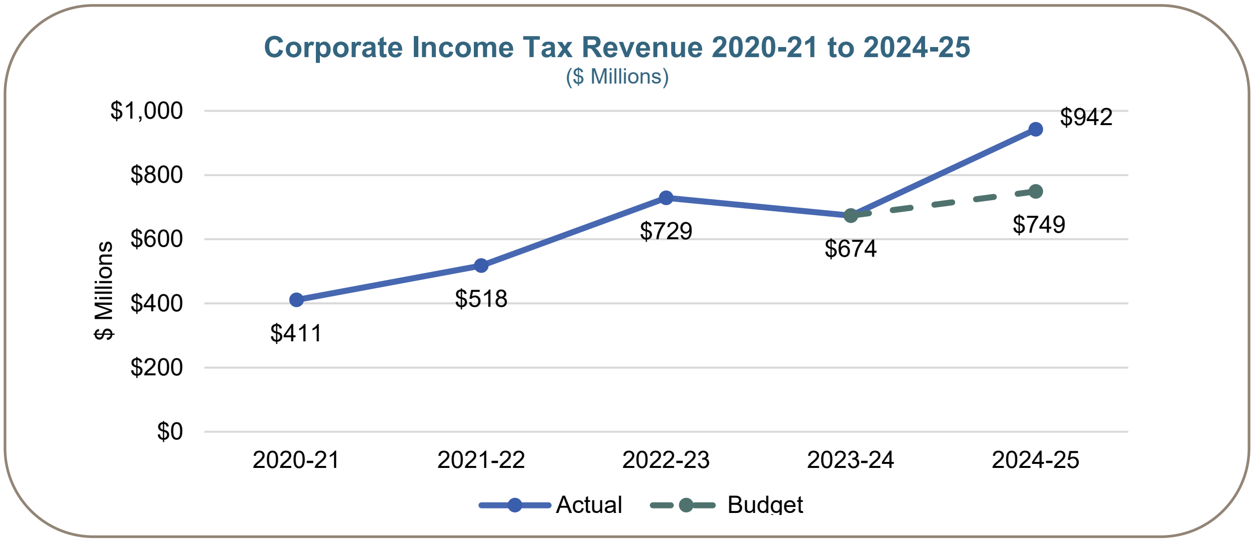


Source: 2020-21 to 2024-25 Public Accounts

Corporate income tax revenue has more than doubled over the past five years

2.44 Corporate income tax revenue was $193.6 million higher than budget in 2024-25. This happened because businesses across Canada earned significantly more taxable income—up 16.2% in 2024 and 13.7% in 2025. Nova Scotia benefited from this national growth, as its share of the total corporate taxable income also increased—by 5.2% in 2024 and slightly again in 2025. Additionally, fewer small businesses contributed to the overall taxable income, which meant a larger portion came from larger corporations that pay higher tax rates.

2.45 Over the past five years, corporate income tax revenue has increased from $411 million in 2020-21 to $942 million in 2024-25. This is a $532 million or a 129 per cent increase overall, even though the corporate tax rate was reduced by 2 per cent to 14 per cent, effective April 1, 2020.



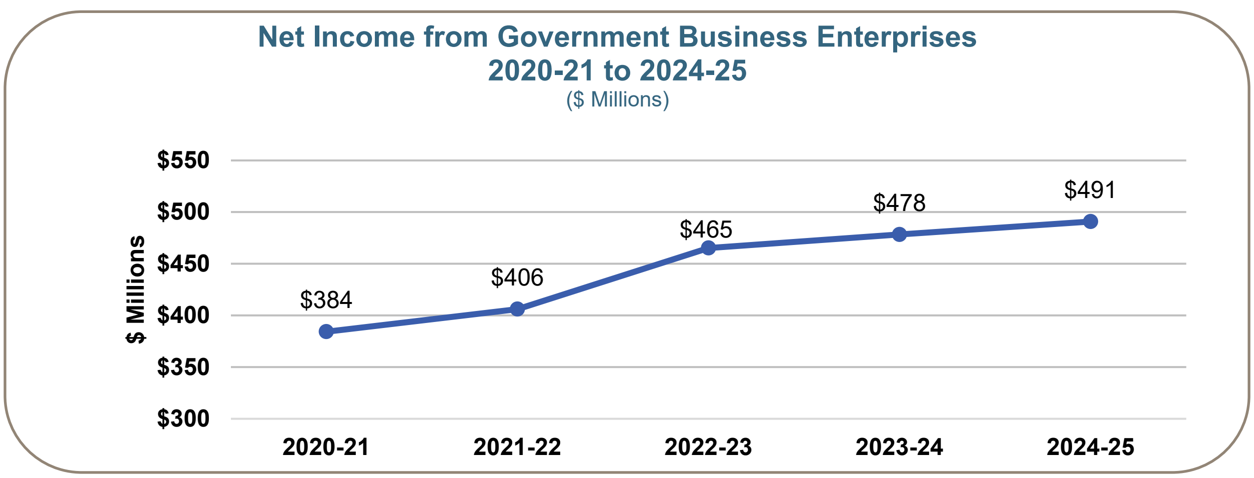
Source: 2020-21 to 2024-25 Public Accounts

Net income from Government Business Enterprises increased

2.46 Net income from government business enterprises (GBEs) increased $12.5 million or 2.6 per cent in 2024-25, reaching a five-year high of $491 million. The increases and decreases are as follows:

GBE	2024-25 Financial Results
Nova Scotia Liquor Corporation	Net income of $280.2 million. This represents a decrease of $3.6 million from the prior year.
Nova Scotia Gaming Corporation	Net income of $206.7 million. This is $27.7 million or 15.5 per cent higher than the prior year primarily due to increased revenues.
Halifax-Dartmouth Bridge Commission*	Net Loss of $1.3 million. This is a $10.1 million decrease from the prior year.
Highway 104 Western Alignment Corporation	Net income of $5.3 million. A decrease of $1.5 million from the prior year.

Source: 2024-25 Public Accounts
**The Halifax-Dartmouth Bridge Commission was no longer a GBE at March 31, 2025. See Chapter 1 for further details*

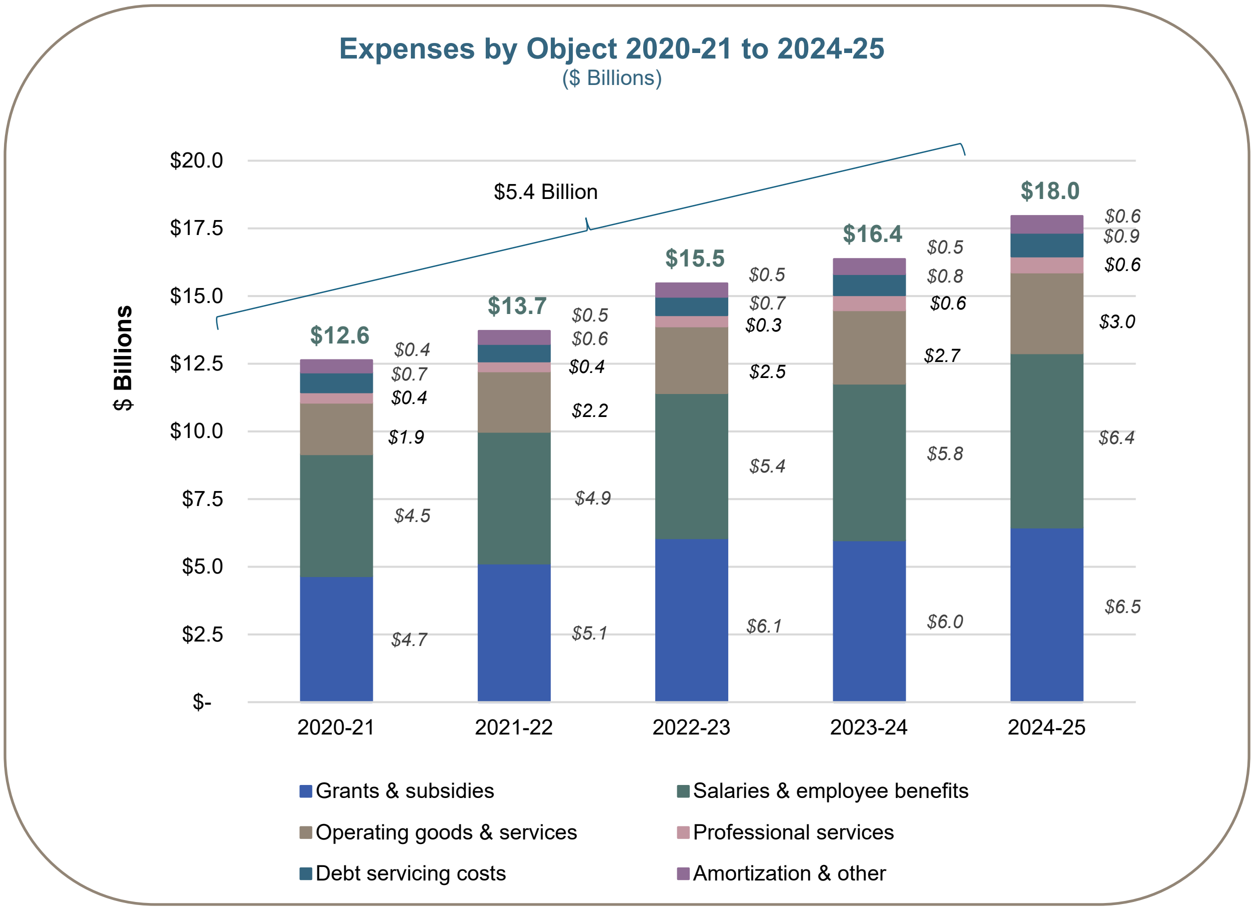


Source: 2020-21 to 2024-25 Public Accounts

Expense Highlights

Expenses have increased $5.4 billion over five years

2.47 Expenses have increased $5.4 billion over five years; averaging $1.1 billion per year. Salaries and Employee Benefits and Grants and Subsidies are the two categories incurring the largest expenses, growing by $1.93 billion and $1.80 billion respectively. The fastest growth is attributed to Operating Goods and Services and Professional Services at 57% and 54% respectively.



Source: 2020-21 to 2024-25 Public Accounts

Chapter 2 Glossary

Annual surplus/deficit: The amount by which revenues cover expenses. A surplus occurs when revenues are greater than expenses. A deficit occurs when expenses are greater than revenues.

Debt servicing costs: These expenses include interest on unmatured debt as well as the interest on other obligations such as pensions. It represents the amount of revenue that is needed to pay interest and thus not available to provide program initiatives, tax reductions or debt reductions.

Federal government equalization payments: Amounts received from the Government of Canada as part of the program for addressing fiscal disparities among provinces.

Government Business Enterprises (GBE): These are self-sustaining government organizations that have been delegated the financial and operating authority to carry on business activities by selling goods and services outside of the government reporting entity. Government business enterprises in Nova Scotia include the Nova Scotia Liquor Corporation, Nova Scotia Gaming Corporation (casino and lottery operations), Halifax-Dartmouth Bridge Commission, and Highway 104 Western Alignment Corporation.

Gross domestic product (GDP): The amount of value added from the production of all goods and services within the Province in a given year; one of the primary measures used to evaluate a province's economic condition.

Interest on unmatured debt: This is the cost associated with servicing past borrowing obligations, including debentures, capital leases and long-term debt under Public Private Partnership (P3) arrangements.

Net Debt: This represents the extent to which a government's total liabilities exceed total financial assets. It reflects the accumulation of annual deficits, surpluses and other adjustments. It represents the liabilities that must be funded by future revenues, including taxation, and remains an obligation for future generations to fund.

Net debt to GDP ratio: The net debt to GDP ratio is used to assess the Province's ability to pay its financial obligations and render services. It shows the relationship between a government's net debt and the activity in the economy. A stable net debt-to-GDP ratio indicates a government's overall fiscal policies are sustainable, to the extent that the rate of economic growth is the same as the growth in net debt.

Unmatured debt: The unmatured debt of the Province includes Canadian debentures, long-term debt obligations arising from Public Private Partnership (P3) arrangements, and capital leases.