

Pre Budget Consultations

February 2nd , 3rd 2009

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Economic Conditions

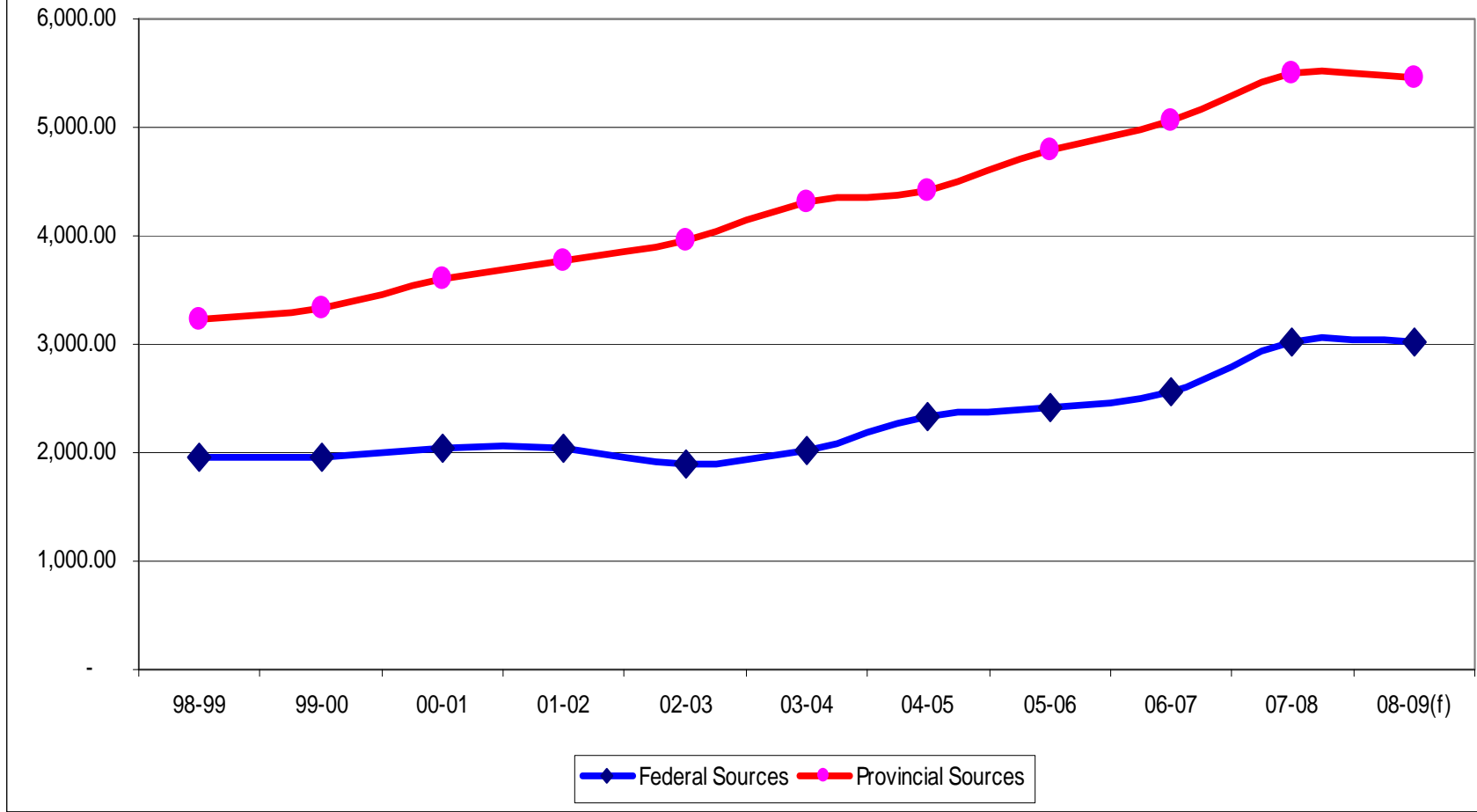
- Recession in the United States and the world
- Less consumer spending
- US recession drives down exports
- Less business spending (business confidence to fall)
- Slower employment growth for 2009 and going forward

Economic Uncertainties

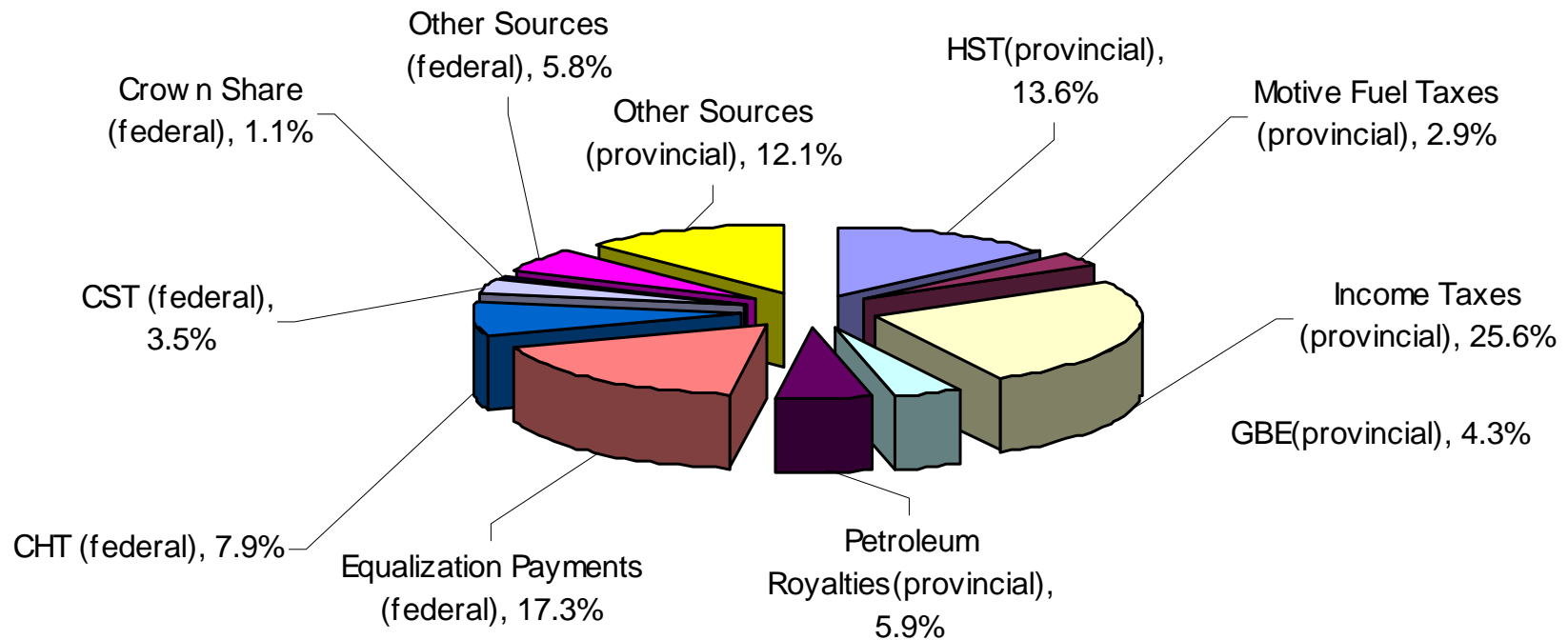
- How long and deep will the US recession be?
- How long will it take to restore the world credit system and financial markets?
- What will be the impacts on the NS economy regarding the new fiscal policies from the Federal Governments of both Canada and the US?
- Will consumer confidence in NS fall further than anticipated?
- Will business confidence in NS fall further than anticipated?

Historical Revenue Trends

(\$Millions)



Revenues by Source 2008-09



Revenue Challenges

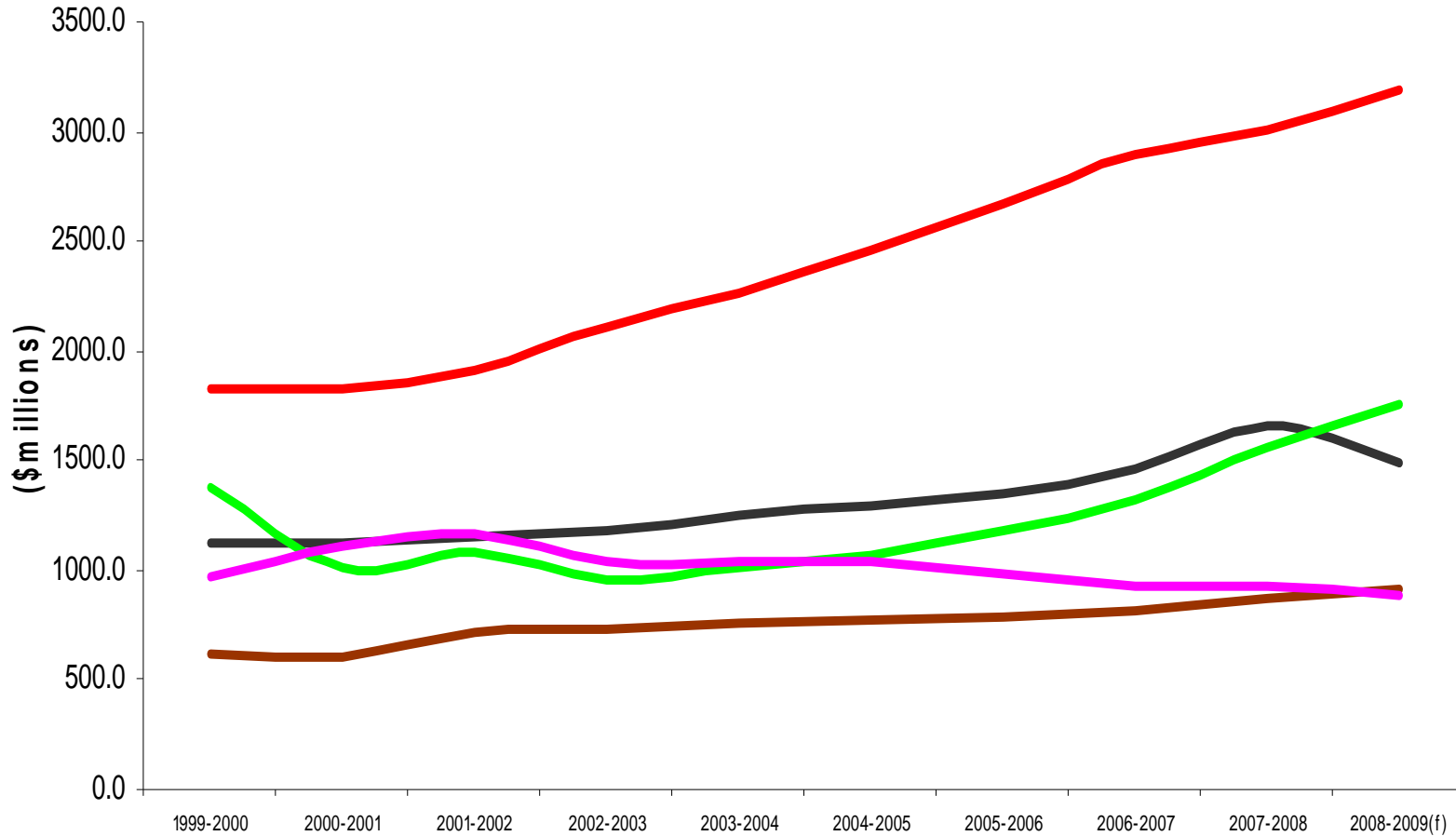
Provincial Sources	Economic/Fiscal Factor
Corporate Income Tax	Declining corporate profits
Personal Income Tax	Slower growth in taxable income Increasing unemployment
Harmonized Sales Tax	2007 base very strong Weakening consumer confidence Declining consumer expenditures
Petroleum Royalties	Declining world market prices Lower production volumes
Other Provincial	Reduced rate for Large Corporations Tax

Revenue Challenges

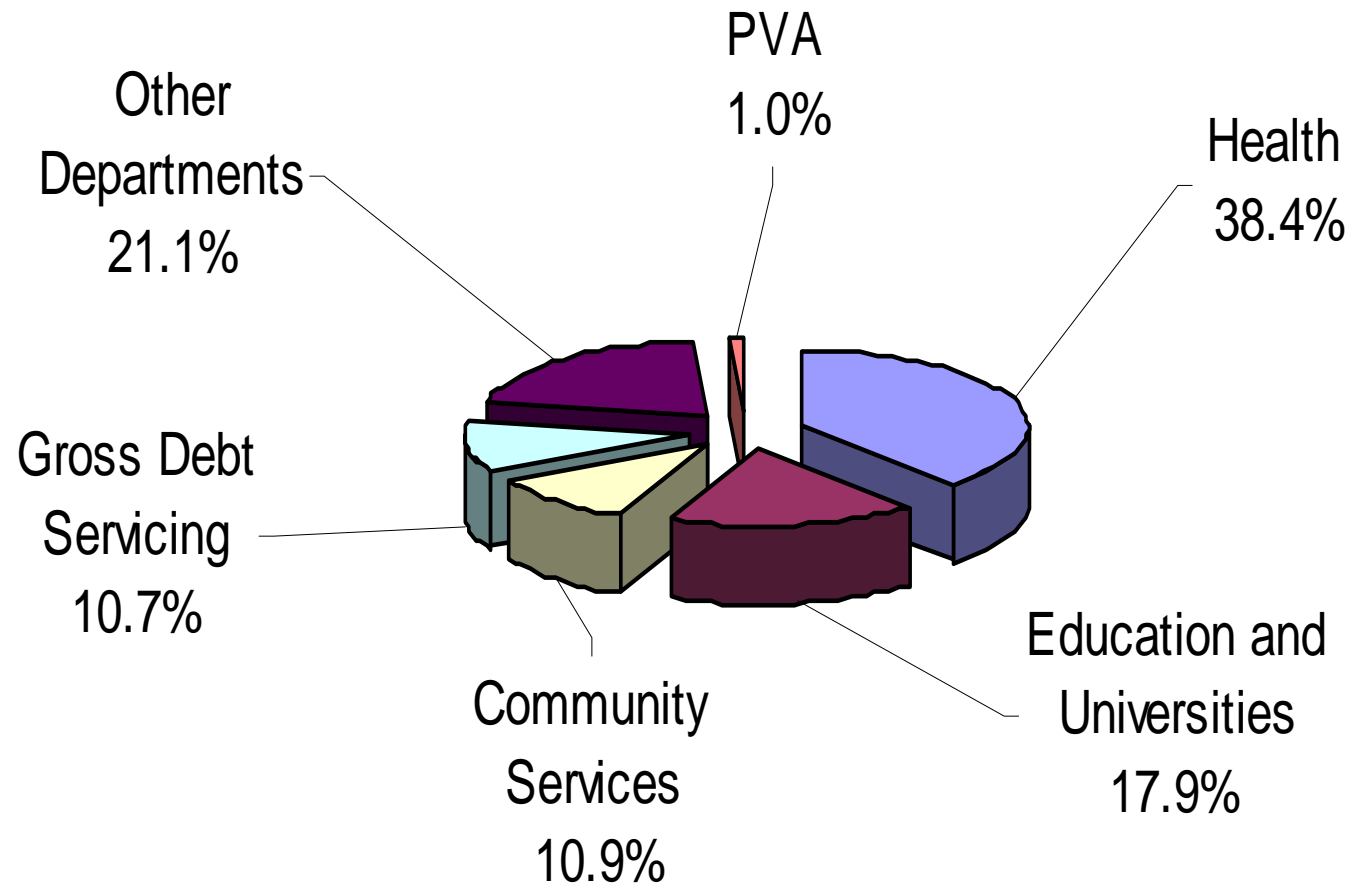
Federal Sources:	Economic /Fiscal Factor
Equalization & Offshore Offset	Changes to Expert Panel formula
Canada Health Transfer	Legislated increase to national cash transfer pool
Canada Social Transfer	Legislated increase to national cash transfer pool
Federal Trusts	Completion of draw down schedule (Bill C-48)
Wait Times Reduction Fund	Legislated decrease in funding provided
Crown Share	

Nova Scotia Expenses

Health Education & Universities Community Services Other Departments Gross Debt Servicing Costs



Total Expenses



Expense Challenges

- Wage pressures / Collective Agreements
- Increasing demands
 - Health care
 - Education
- Economy related
 - Stimulus
 - Social supports
 - Support to business
 - Training
 - Pension costs

Budget Challenges

- **Declining revenue growth**
- **Expense pressures**
- **Balanced budget legislation**
- **Debt Reduction Policy**
- **Federal Budget**

Budget Challenges

- *fiscal prudence vs. fiscal stimulus*
 - *how to stimulate – timing, targeted, temporary*
- **fiscal prudence**
 - *“do no harm” to economy*
 - *achieve sustainable spending levels*
 - *protect public services*
- **fiscal stimulus**
 - capital spending
 - program spending
 - tax