

Province of
Nova Scotia



Credit Update

Hon. Graham Steele
Minister of Finance

June 2011

A Brief Overview

- Majority Government
- Key focus on “Living within our means”
- Borrowing requirements of \$1.6 billion for 2011–2012
- Net direct debt to GDP ratio 36.3% at March 31, 2011
- Balanced budget in 2013–2014

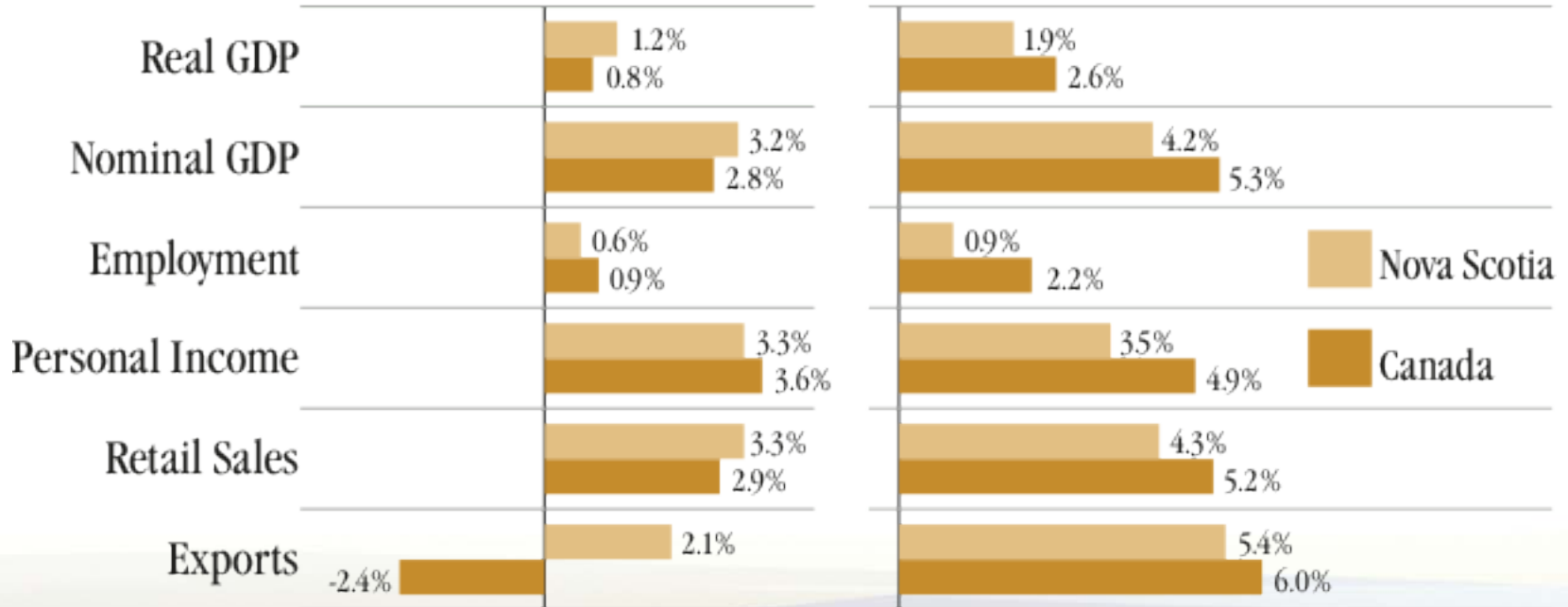


NS outperforms Canada in recession

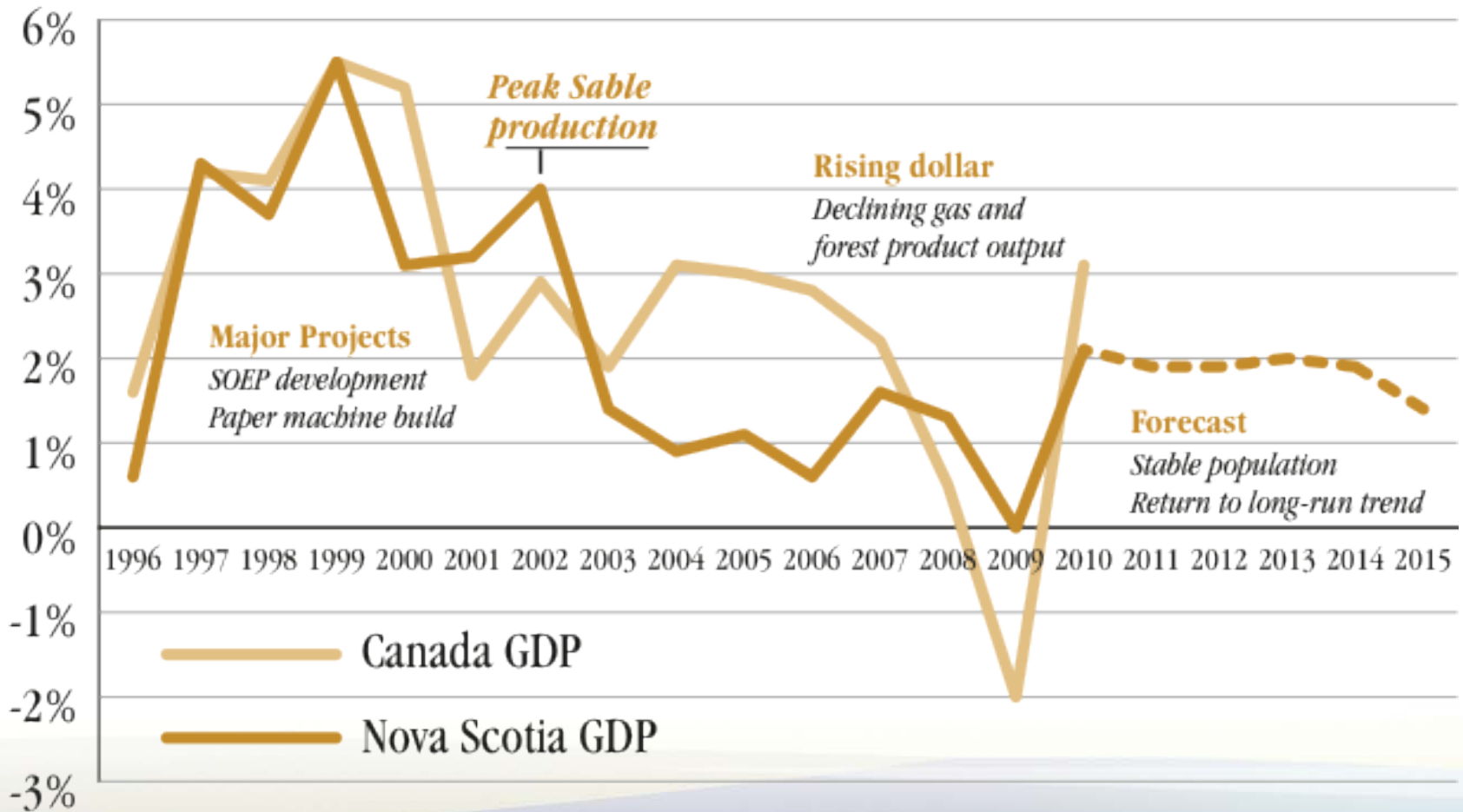
...however, it's not expected to keep pace through recovery

Compound average growth rate, 2006-2010

Compound average growth rate, 2010-2012 (*Budget assumptions*)

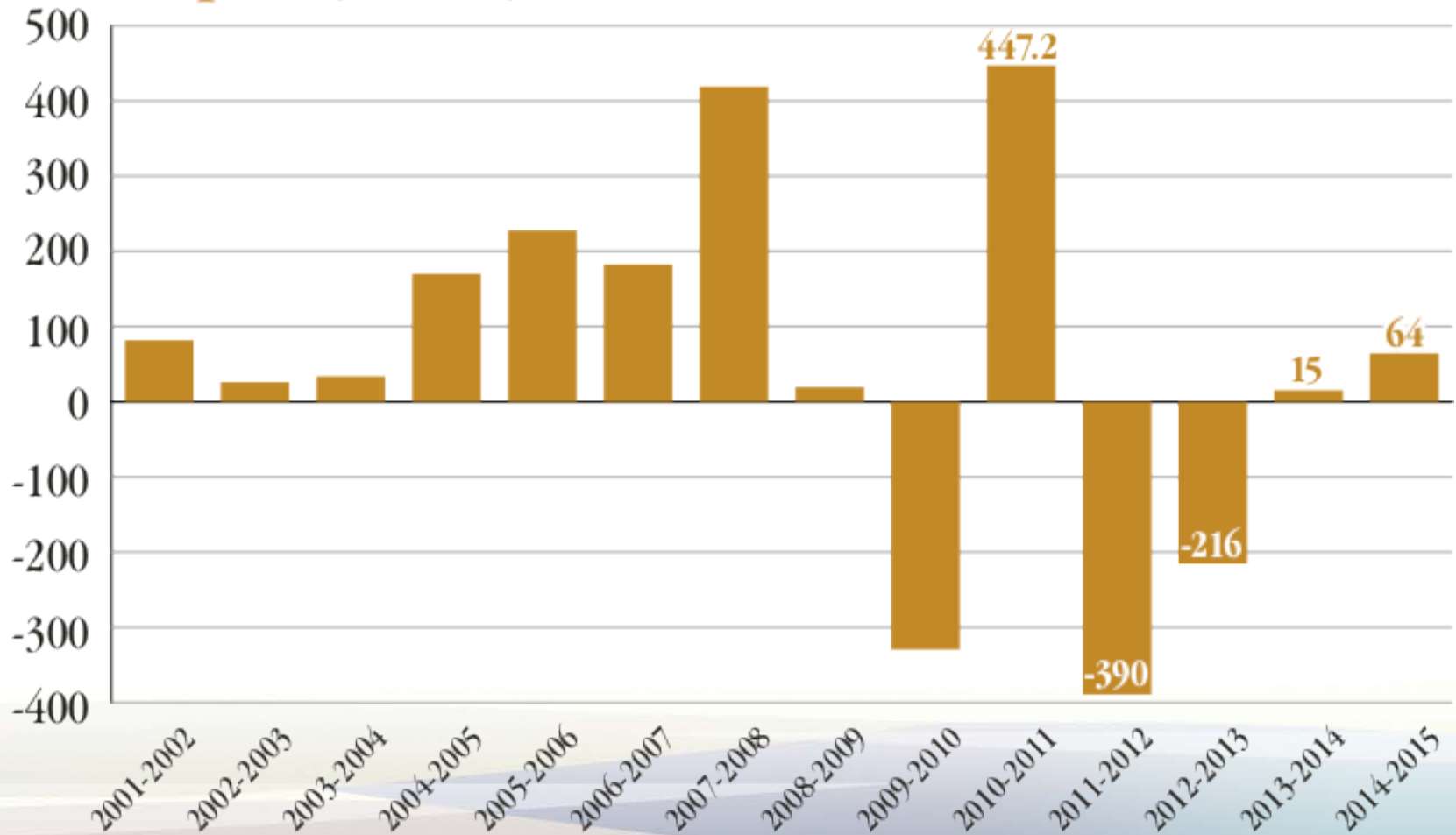


NS has a stable economic outlook



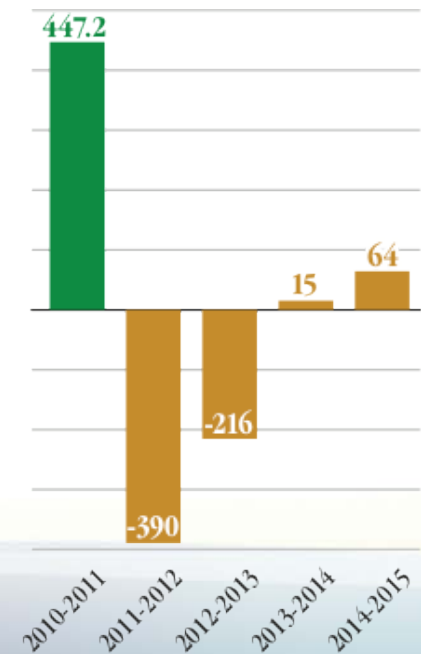
On track to balanced budgets

Surplus (Deficit) *millions \$*



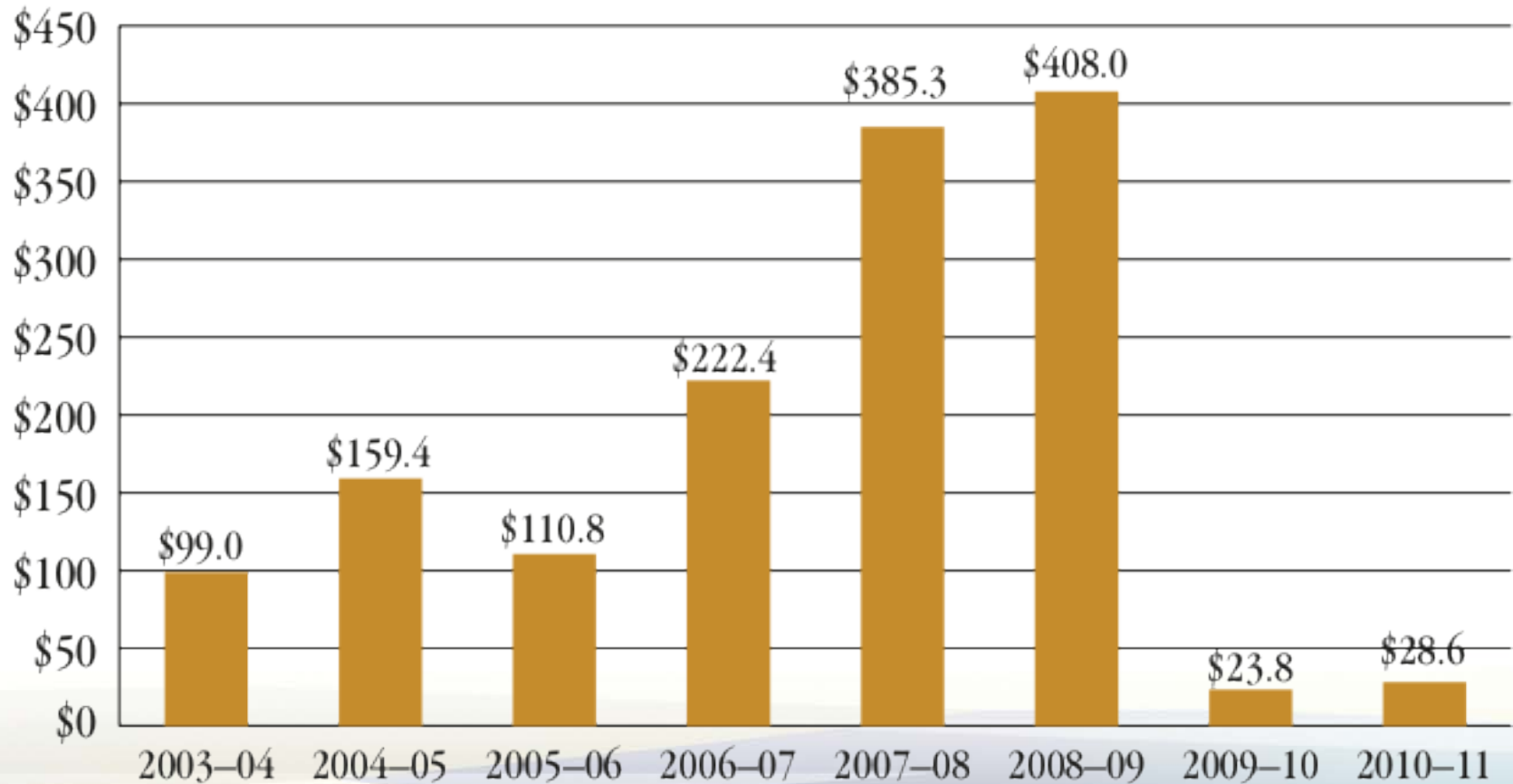
Unexpected surplus reduced net debt

- **\$222 million deficit estimated in April 2010 budget**
- **Unexpected revenues and strong control over government spending resulted in \$447.2 million surplus (as of April 2011)**
 - \$261 million increase in own-source revenues
 - \$196 million increase in prior years' adjustments
 - \$49 million decrease in Federal revenues
 - \$250 million decrease in expenses
 - \$11.3 million increase in income from GBEs
- **Surplus used to reduce net debt by \$37.8 million**



Spending controls are working

Spending over Budget (Millions \$)

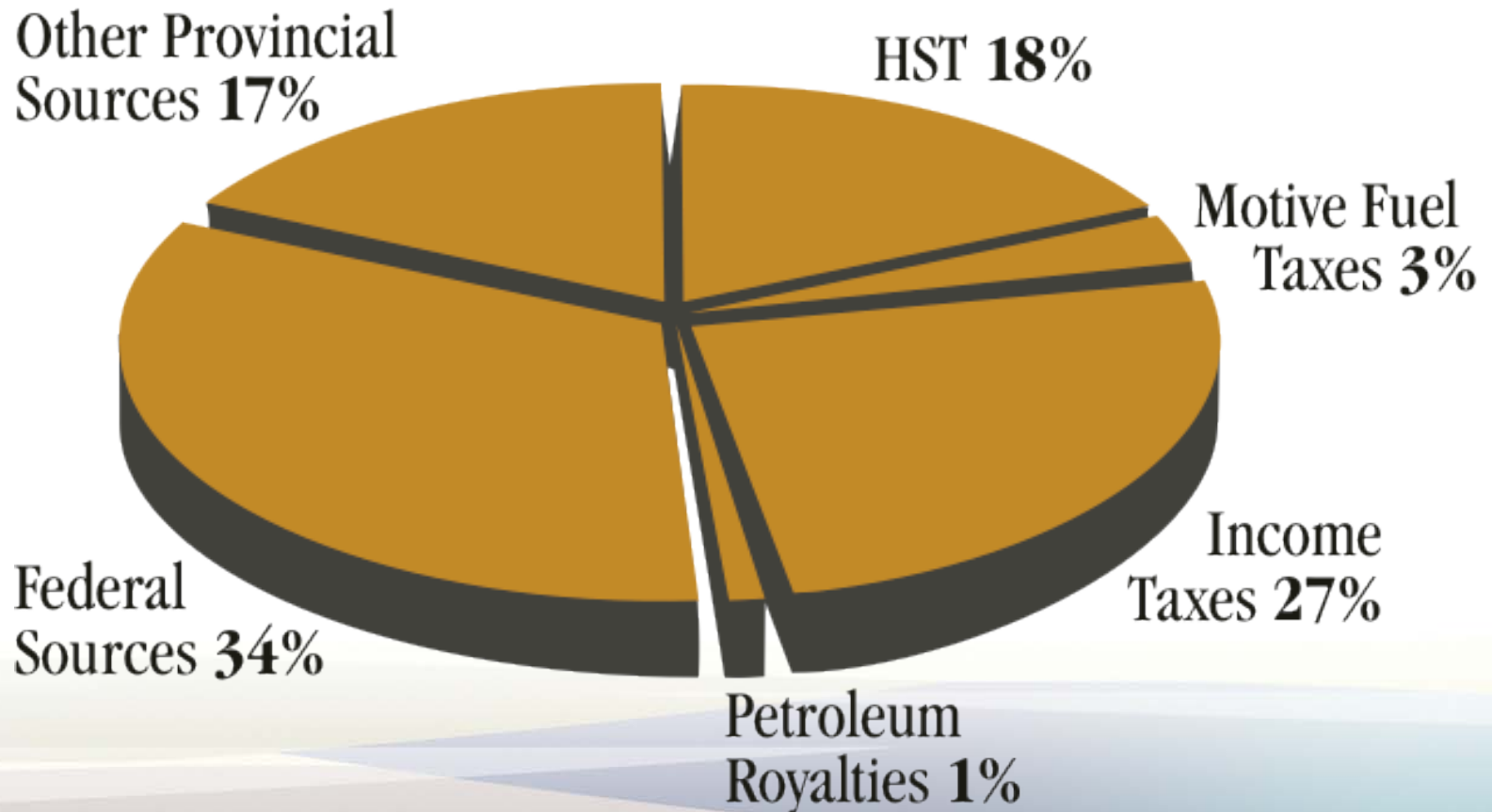


Spending controls are working

- 2011-2012 Budget holds program expenses at last year's levels
 - Healthcare funding, less than 2% growth
 - Education funding, 1.39% reduction to reflect declining enrolments
 - Universities' grant, reduced 4%, introduced tuition cap
 - Increased funding commitments to municipalities will end next year
- Reinstatement of HST to 15% in 2010-2011 contributes \$360 million, and Personal income tax changes generate about \$30 million
- Net impact of all tax changes are \$340 million by 2013-2014

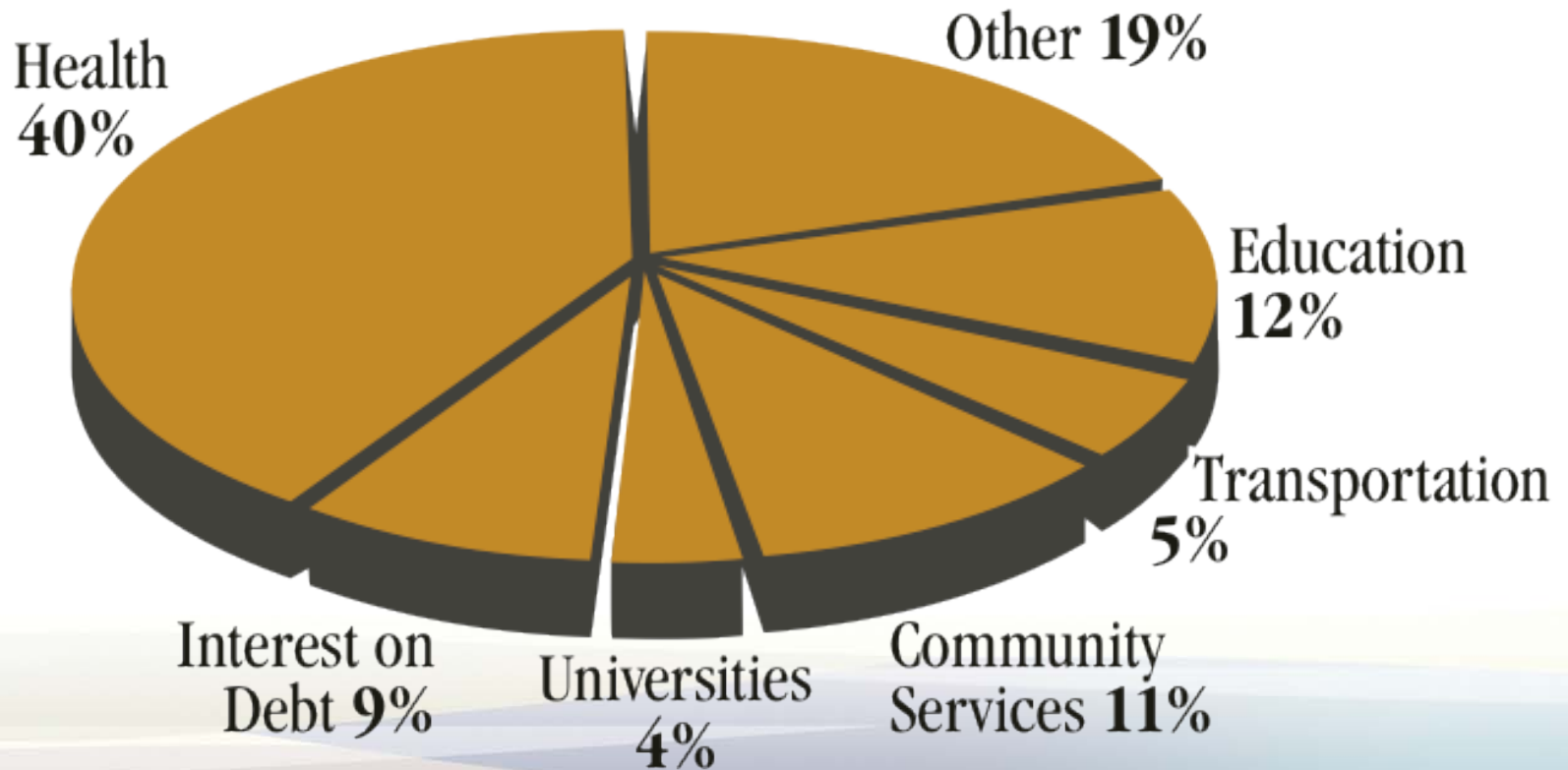
NS relies on federal transfers; growth potential in Oil/Gas

Revenues By Source, 2011–2012

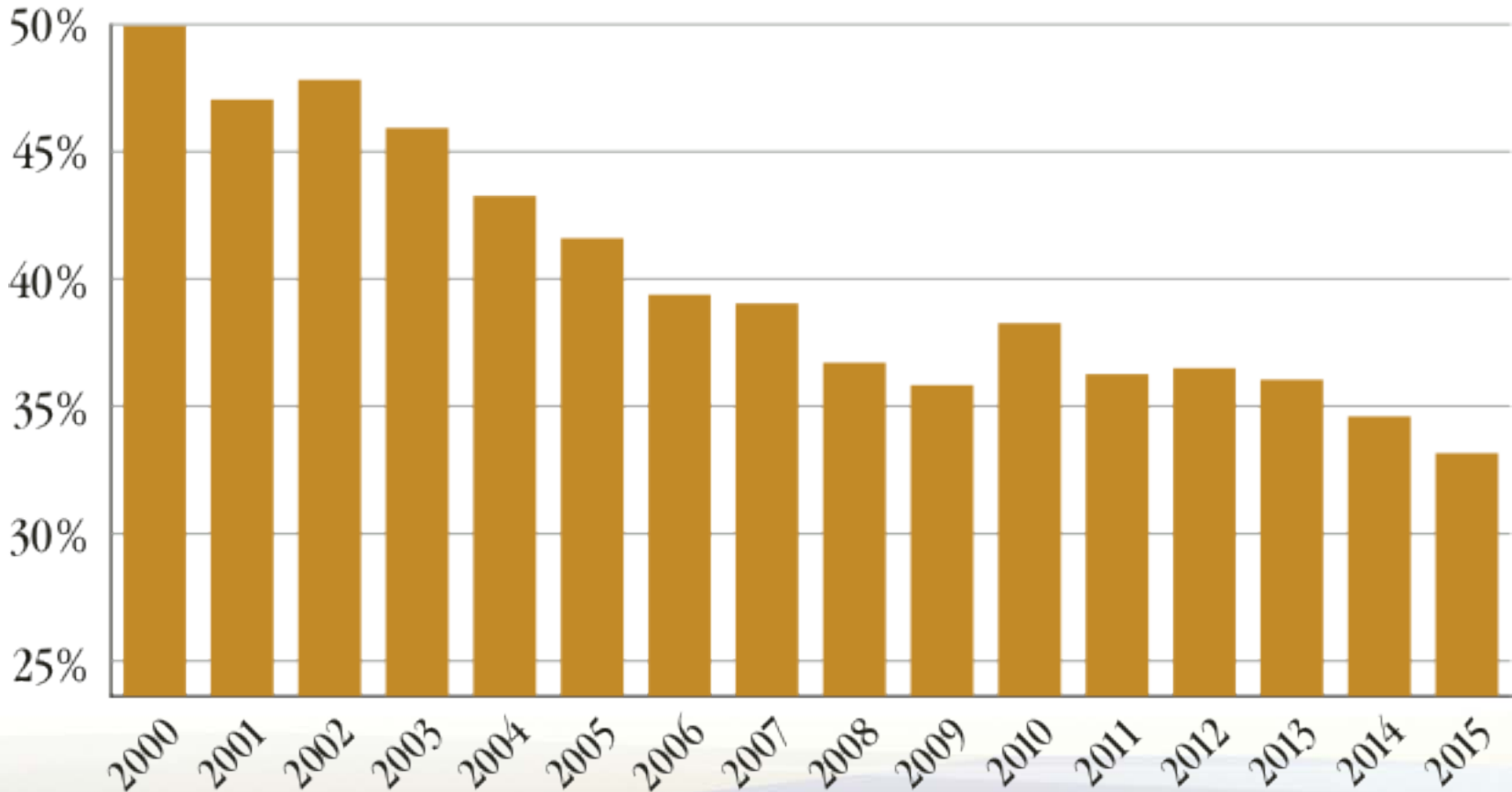


Healthcare dominates spending

Expenses, 2011–2012

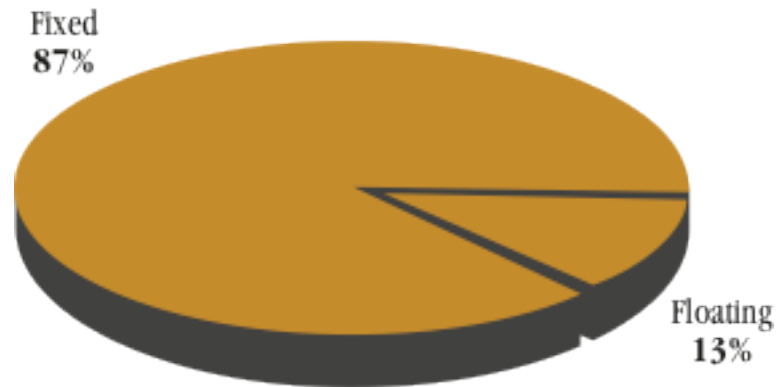


Nova Scotia's Net Debt/GDP is declining



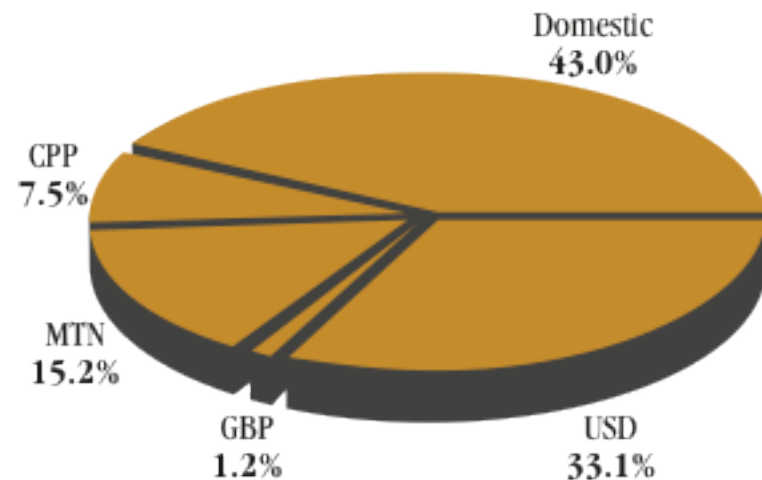
Debt management practices are conservative

Less than 12% of Debt Floating



Monthly average over last 2 years

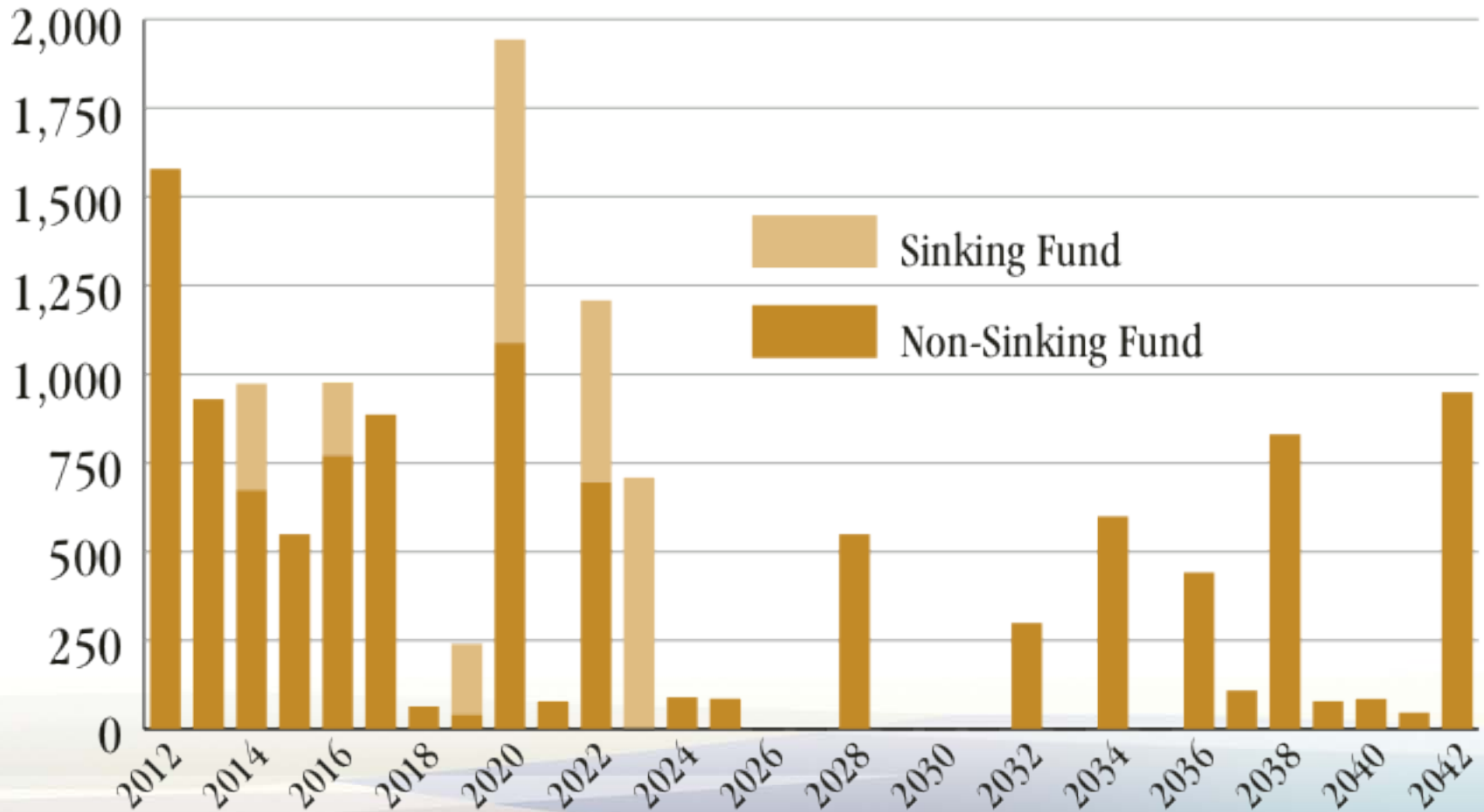
Diversified Funding Sources



Outstanding market debt of \$14.3 billion as of 1/6/2011

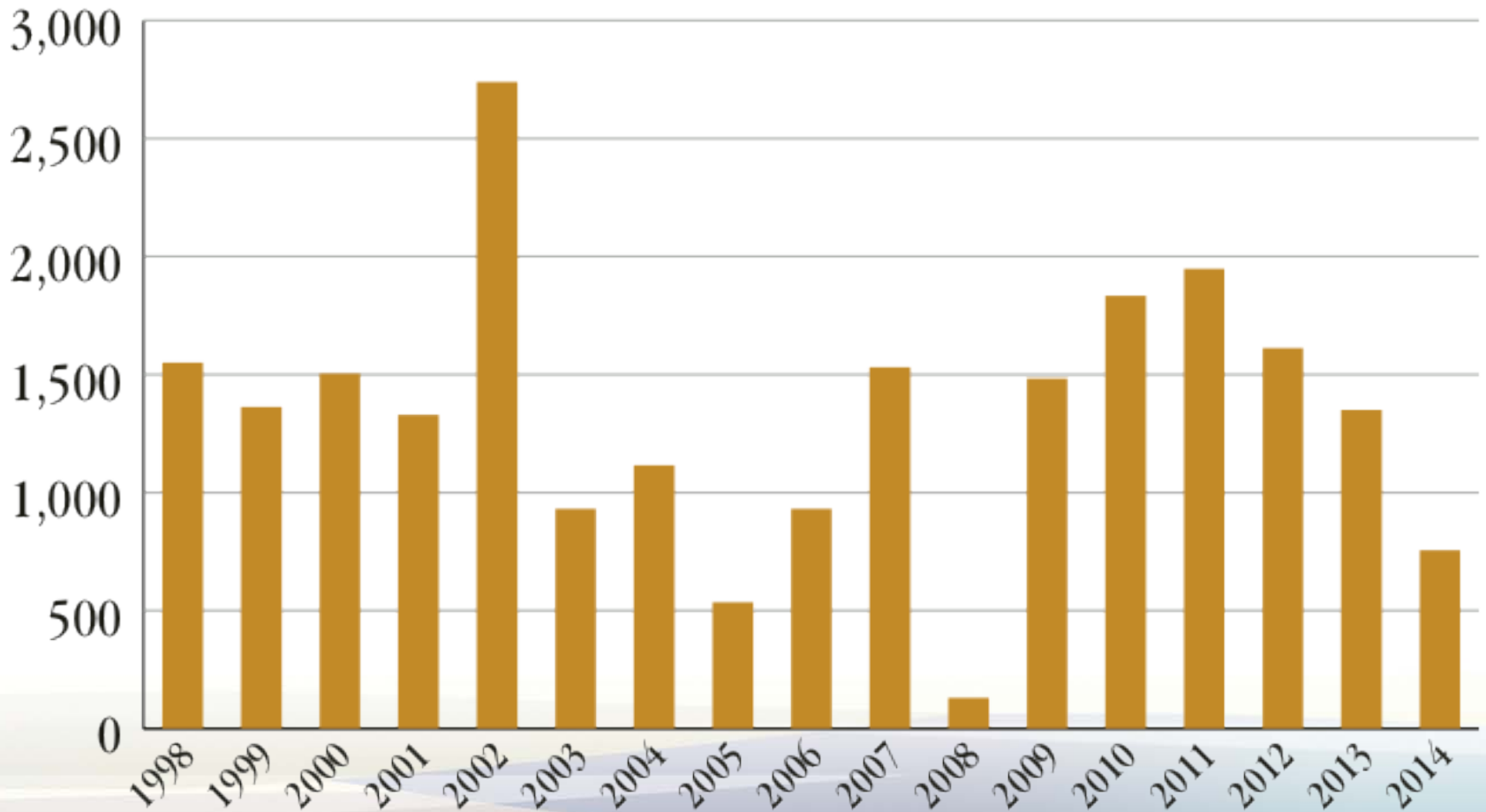
Gross Debt Maturity Profile

Millions \$



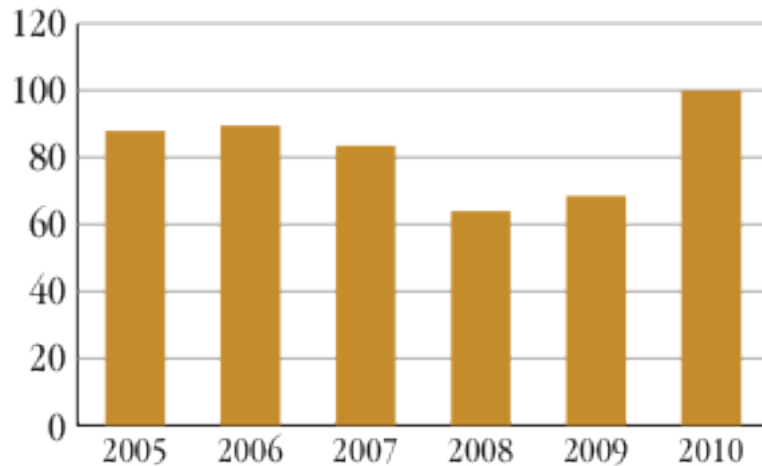
Borrowing needs will decline

Millions \$



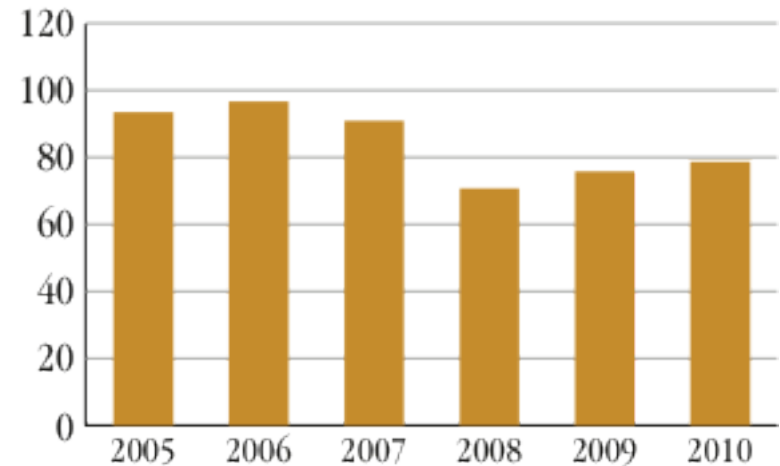
Pension liability is well managed

PSPP funded status



- Plan now fully funded given contribution of \$536 million and change in benefits worth about \$1 billion in 2010-2011
- Indexing contingent on health of plan

Teachers' PP funded status



- Joint Trusteeship
- Pre-2006 retirees indexed at CPI less 1%
- Post-2006 retirees have indexing contingent on health of plan

Nova Scotia's Credit Ratings *(as of May 2011)*

	Long-term	Outlook	Short-term
Moody's	Aa2	Stable	
S&P	A+	Stable	A-1+
DBRS	A	Stable	R-1(low)

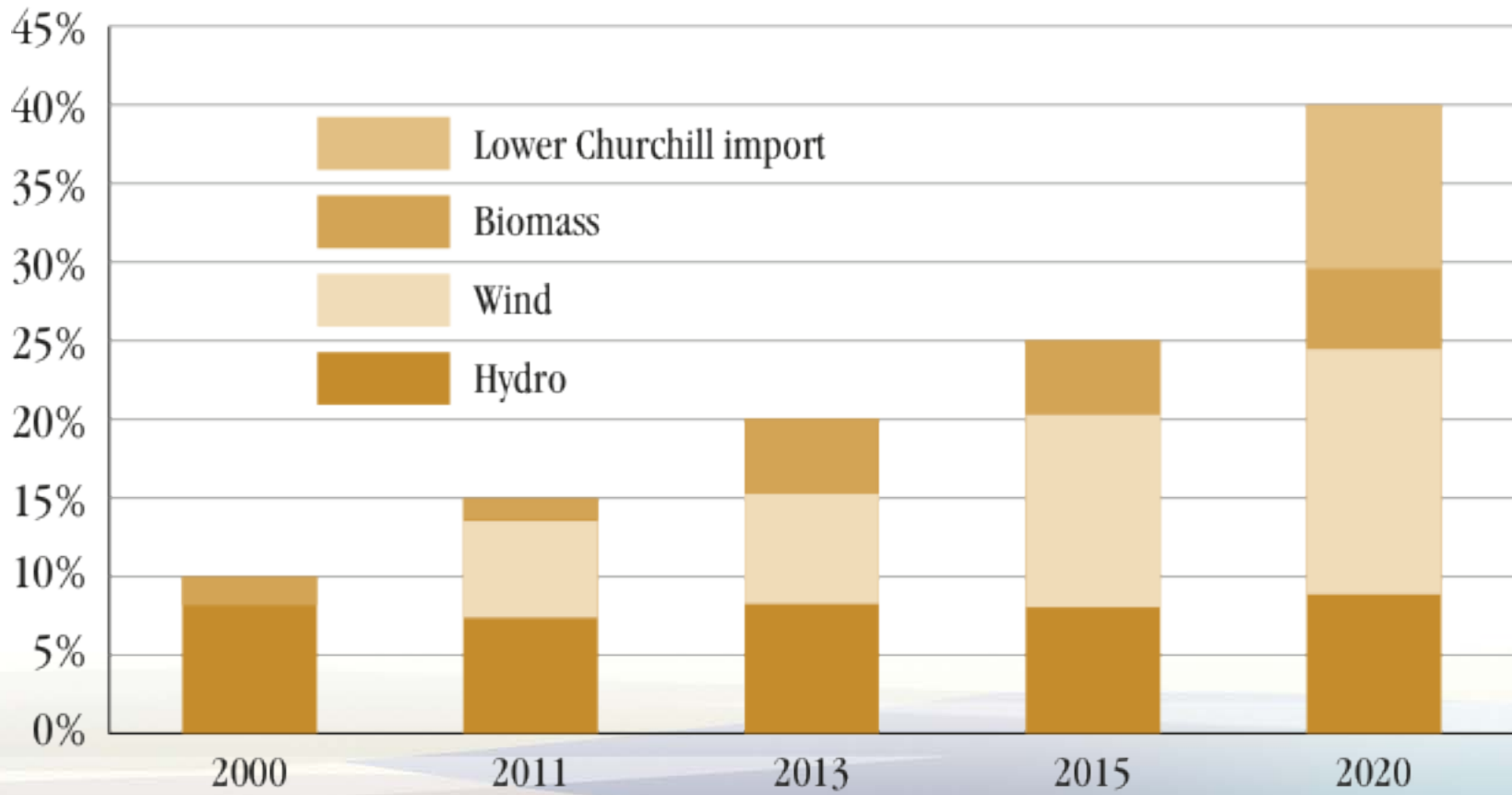
Moody's: *“Nova Scotia’s rating reflects the province’s much improved debt profile, which resulted from the combination of high revenue growth in recent years and a policy focus on debt reduction”*

S&P: *“The Province of Nova Scotia’s ratings reflect a relatively stable and resilient economy ... and conservative debt management practices”*

DBRS: *“Nova Scotia is well-positioned as a regional service center for the Atlantic provinces. A prudent debt structure helps reduce uncertainty...”*

Energy mix to include more renewable sources

- Nova Scotia's peak energy needs are approximately 2,300 MW
- Mixed portfolio approach will mean greater energy security



Lower Churchill Project is transformational



Lower Churchill Project is transformational



- \$6.2 billion deal between Emera and Nalcor Energy
- Nalcor to build 824 MW generating station
- Nova Scotia Power to build \$1.2 billion Maritime Link in exchange for 20% of power from Muskrat Falls
- In service date expected to be late 2016, early 2017

Federal shipbuilding contract would have a tremendous impact on our economic future

A successful bid could:

- create and sustain up to 11,500 jobs
- increase personal income by up to \$600 mln per year
- increase provincial GDP by 2.4 per cent

Questions?

