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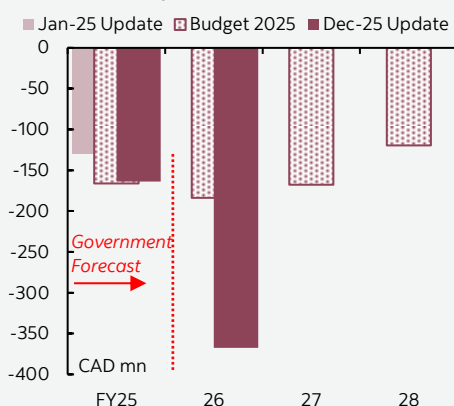
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Chart 1

PEI's Projected Fiscal Balances

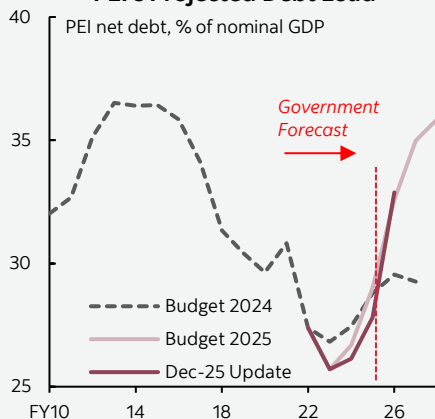


* FY24 figure is final result.

Sources: Scotiabank Economics, PEI Finance.

Chart 2

PEI's Projected Debt Load



Sources: Scotiabank Economics, PEI Finance, Statistics Canada, Finance Canada.

Prince Edward Island: 2025–26 Mid-Year Fiscal Update

LARGER PROJECTED DEFICIT IN FY26 FROM HIGHER SPENDING, LOWER REVENUE

- PEI's fiscal update, published Thursday, December 18th, revised the budget balance forecast for fiscal year 2025–26 (FY26) to **-\$367.4 mn (-3.2% of nominal GDP) (chart 1)**. The latest outlook sees the province's deficit for the year nearly double what was projected in the Spring operating budget (-\$183.9 mn, -1.7%) as the impact of lower projected revenue combines with higher projected spending.
- Total revenue for FY26 was revised down \$58.6 mn (-1.8%) compared to the Spring operating budget.** Nearly half of the decline in projected total revenue is reduced income from taxes (-\$23.6 mn, -1.4%), licenses and permits (-\$2.1 mn, -4.3%), net income from GBEs (-\$1.7 mn, -2.9%), and federal transfers (-\$2.9 mn, -0.2%), which are partially offset by higher fees and services (+\$5.5 mn, 4.7%), and investments/Sinking Fund (+\$2.6 mn, 8.1%). Meanwhile, more than half of the drag to projected total revenue in FY26 comes from Other Revenue (-\$36.1 mn, -77.3%) owing to the accounting requirement that the tobacco litigation payment be recorded in the previous fiscal year. Total revenue for FY26 is now projected to be up 5.2% year-over-year.
- Total expenditure was revised up by \$124.8 mn (+3.5%) in FY26 relative to the Spring Budget estimates.** More than half of the increased in program spending is concentrated in Health PEI, that has raised their projected expenditures by \$70.9 mn (+6.6%) due in part to utilization in out-of-province health services and funding for staffing and collective agreement settlements. Other departments that contributed to the higher spending outlook include PEI Agricultural Insurance Corporation (+\$20 mn, 32.8%), Social Development and Seniors (+\$13.8 mn, 6.3%), and General Government (+\$13.5 mn, 28%).
- The net debt projection for the end of FY26 was raised to \$3.73 bn, up \$172.4 mn (+4.8%) relative to the Spring Budget owing to the higher deficit.** Net debt levels are projected to rise 23.3% year-over-year from debt levels at the end of FY25, of which \$484.2 mn is from the acquisition of tangible capital assets as presented in the fall capital estimates, largely unchanged from previous plans. While revised estimates of historical GDP provide a stronger hand-off for the province's debt burden at the end of FY25, estimated at 27.8% of nominal GDP versus 29% previously, the sharp increase in the level of net debt this year is projected to raise the burden to 32.9% of nominal GDP by the end of FY26 (chart 2). Projections for GDP growth in 2025 were left unchanged in nominal terms at 4.3% and down 0.1 percentage points in real terms to 2.4% relative to the Spring Budget.

Updated Fiscal Forecast

\$ millions except where noted

	FY25		FY26	
	Bud.'25	Final	Bud.'25	Dec.'25
Total Revenue	3,122.5	3,123.5	3,343.0	3,284.4
Program Spending	3,122.1	3,123.9	3,357.2	3,480.6
Debt Service	166.7	163.5	169.7	171.2
Total Expenditure	3,288.8	3,287.4	3,526.9	3,651.8
Budget Balance	-166.3	-163.9	-183.9	-367.4
% of GDP	-1.6%	-1.5%	-1.7%	-3.2%
Net Debt	3,039.8	3,027.8	3,561.9	3,734.3
% of GDP	29.0%	27.8%	32.6%	32.9%

Sources: Scotiabank Economics, PEI Finance.

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