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GLOBAL ECONOMICS

FISCAL PULSE

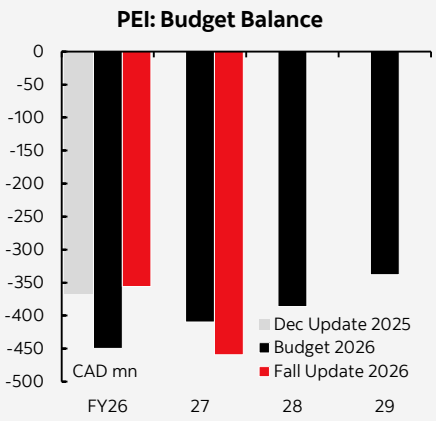
November 2, 2026

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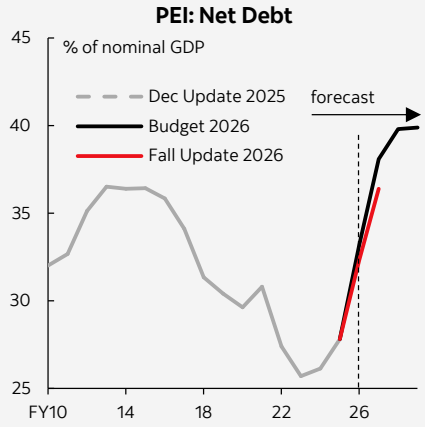
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Chart 1



FY26 figure is a final result as of Fall Update 2026.
Sources: Scotiabank Economics, PEI Finance.

Chart 2



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

Prince Edward Island: 2026–27 Mid-Year Update

- **PEI's mid-year fiscal update increases its FY27 deficit forecast from $409.9mn (3.5% of nominal GDP) to $459mn (3.8%).** The updated second quarter forecast constitutes a negative revision of $49.4mn vs the province's Budget 2026 outlook, as increased expenditure forecasts outweigh some positive revisions to projected revenues.
- **Total revenue for FY27 has been revised up by +1.5%.** A substantial contributor to revenue growth was stronger income from taxes (corporate income taxes, sales taxes, real property tax revenues, and HST recoveries), as well as a one-time Federal housing supply payment. Additional upward revisions were realized via Health and Wellness gains, as well as by higher federal transfers through the Oil to Heat Pump Affordability Program. This was partially offset by reduced forecasts from Transportation and Infrastructure (reflecting delays in recognizing Federal Infrastructure funding with project timing) and somewhat lower revenues from government business enterprises.
- **FY27 expenditures have been revised up by 2.7% vs the Budget estimates.** This year's expenditures are now expected to land at approximately $39.0 bn, compared to the Spring estimate of $38.0bn. Health PEI's expenditure increase of approximately $74.4mn (+6.0%) was the single-largest contributor to total upward revisions, with factors such as agency staffing, wage levies, salary premiums, and out-of-province contracted services applying pressure on operating expenses. In addition, over-budget estimates for Innovation PEI and expenditure increases in the Department of Health and Wellness have also materially contributed to higher overall forecasted expenditures for FY27.
- **The net debt-to-GDP path has improved somewhat.** Despite the increase in the projected FY27 deficit, the end-of-year debt burden has been revised lower. The FY26 deficit came in lower than estimate in the Spring and planned acquisition of tangible capital assets has been dropped by $77.0mn (or 15.8%) compared to Spring estimates. Additionally, labour market strength, wage growth, elevated housing construction, and goods exports growth have all contributed to upward revisions in expected 2026 GDP, despite persistent drags from continuing trade tensions with the US, and cost pressures for households and businesses from higher oil prices. As a result, projected FY27 net debt has been revised down by 1.7ppts, from 38.1% to 36.4%. However, the debt burden will climb quickly if elevated deficits continue.
- **Many domestic and global economic headwinds endure, though there is a case to remain cautiously optimistic going forward.** Though many tariffs on Canadian exports to the U.S. are still in place and continue to evolve, it remains a possibility that the state of trade tensions have reached their peak. Meanwhile, efforts towards de-escalation in the Middle East continue. Should constructive trade negotiations resume, and regional de-escalation efforts succeed, a path towards tariff relief across industries could unfold in the near future, along with the easing of global supply chains and inflationary pressures.

Table 1: Prince Edward Island - Updated Fiscal Forecast

	FY26		FY27	
	Bud.'26	Final	Bud.'26	Oct. '26
Total Revenue	**3,271**	**3,316**	**3,386**	**3,438**
Total Expenses	**3,720**	**3,672**	**3,796**	**3,898**
Budget Balance	**(450)**	**(356)**	**(410)**	**(459)**
% of GDP	(4.0)	(3.1)	(3.5)	(3.8)
Net Debt	**3775**	**3695**	**4505**	**4403**
% of GDP	33.2	(32.3)	38.1	36.4
Debt Service (% of Revenue)	5.2	5.1	5.9	6.0

Sources: Scotiabank Economics, PEI Finance.

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