

Prince Edward Island: 2019–20 Outlook

- We anticipate a more moderate expansion in Prince Edward Island following a remarkable string of gains during 2017–18. Real GDP growth averaged 2.7% per year over that period—a post-recession high water mark—while job creation, at 3.0% in both 2017 and 2018, is the province's best two-year result since 1983–84. Employment growth is set to return to a more sustainable pace just below 1% per annum during 2019–20. More modest, but still-solid export growth—concentrated in Island staples such as seafood, food processing and aerospace—is expected to accompany easing job creation as the US expansion cools this year and next.
- Newcomer attraction will remain key to sustained job creation as the population ages, Island firms contend with labour shortages, and outflows to other provinces persist. International immigration anchored annual population gains over 2% in 2017 and in 2018—stronger than any other Canadian jurisdiction in both years—and we are optimistic that this trend can continue. Increases to Ottawa's immigration targets provide a basis for further newcomer attraction. As well, the Province recently shifted its own intake more towards economic immigration. This should lift retention rates alongside stepped-up infrastructure spending to meet the needs of a growing population—outlined in last year's Capital Budget—which may help address labour shortages.
- Buoyed by sizeable surpluses vis-à-vis robust economic growth, and facing increasingly strained housing availability, PEI last year unveiled its *Housing Action Plan*, the goal of which is to construct 1,000 affordable housing units during 2018–23. The *Plan* aims to build 275 of those units in 2018–19, and thus far looks to have assisted construction activity (see chart) against a backdrop of tight rental market conditions and rising prices.

CONTACTS

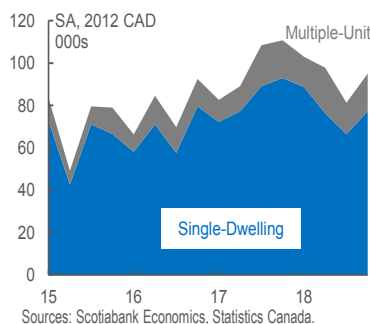
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Prince Edward Island % change except where noted

<u>Economic Conditions</u>	<u>17</u>	<u>18e</u>	<u>19f</u>	<u>20f</u>
Real GDP	3.5	1.9	1.5	1.1
Nominal GDP	4.8	3.7	3.4	3.1
Employment	3.1	3.0	0.9	0.7
Unemployment Rate, %	9.8	9.4	9.3	9.5
Housing Starts, 000s	0.9	1.1	0.8	0.8
<u>Fiscal Situation</u>	<u>FY18</u>	<u>FY19</u>	<u>FY20</u>	
Budget Balance, % of GDP	0.0	0.2	0.0	
Net Debt, % of GDP*	33.2	32.8	32.1	

Nom. GDP fcs: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, PEI Finance.

PEI Residential Investment Still Solid



Provincial Forecast Summary											
The Provinces											
	(annual % change except where noted)										
	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2000–17	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2017	3.0	0.9	3.5	1.5	1.8	2.8	2.8	3.2	2.2	4.4	3.8
2018e	1.8	-0.8	1.9	1.2	1.0	2.1	2.2	1.6	1.4	1.6	1.9
2019f	1.6	1.3	1.5	1.0	0.8	1.7	1.7	1.6	1.6	1.2	2.4
2020f	2.1	0.9	1.1	0.9	0.9	1.7	1.7	1.5	1.7	2.5	3.5
Nominal GDP											
2000–17	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2017	5.6	4.3	4.8	2.9	4.3	5.0	4.1	5.4	4.8	10.0	6.9
2018e	3.6	2.4	3.7	3.0	2.8	4.2	3.4	3.4	3.4	3.6	3.9
2019f	2.6	2.3	3.4	2.7	2.4	2.2	2.3	3.4	3.5	1.8	4.3
2020f	4.6	4.3	3.1	2.9	2.6	3.8	4.0	3.4	4.4	5.3	6.5
Employment											
2000–17	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
2017	1.9	-3.7	3.1	0.6	0.4	2.2	1.8	1.7	-0.2	1.0	3.7
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019f	1.6	1.3	1.0	1.5	0.5	1.2	1.9	1.3	1.2	1.1	2.2
2020f	0.7	0.0	0.7	0.2	0.2	0.6	0.7	0.6	0.6	1.0	1.0
Unemployment Rate (%)											
2000–17	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
2017	6.3	14.8	9.8	8.4	8.1	6.1	6.0	5.4	6.3	7.8	5.1
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019f	5.7	12.6	9.3	6.9	8.0	5.3	5.7	5.8	5.8	6.5	4.5
2020f	5.9	12.5	9.4	7.0	8.0	5.5	5.8	5.8	5.9	6.7	4.7
Housing Starts (units, 000s)											
2000–17	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2017	220	1.4	0.9	4.0	2.3	46	79	7.5	4.9	29	44
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	202	1.3	0.8	3.9	1.8	43	73	6.1	4.2	28	39
2020f	200	1.4	0.8	3.8	2.0	41	72	6.1	5.0	31	37
Motor Vehicle Sales (units, 000s)											
2000–17	1,657	29	6	48	38	413	635	47	45	216	180
2017	2,041	33	9	59	42	453	847	62	56	245	235
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,930	30	8	48	35	430	826	60	48	220	225
2020f	1,900	30	8	47	34	420	810	55	48	215	233
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2017	-19,000	-1,148	-1	151	-117	2,361	-991	-764	-1,218	-10,784	2,737
2018	-19,000	-911	75	230	67	2,622	-3,700	-695	-303	-8,023	301
2019e	-14,900	-522	14	28	5	2,500	-11,736	-470	-348	-6,930	374

Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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