

Prince Edward Island: 2019–20 Outlook

NEAR-TERM PRESSURES AND LONG-TERM PLANS

Expectations of robust population gains vis-à-vis rising immigration continue to underpin our forecast of economic growth stronger than the national average on Prince Edward Island. Newcomers helped lift the PEI population to 2.1% y/y or higher—more than any other province—in 10 of the 11 quarters to April 1, 2019. Successful newcomer integration helped propel full-time job creation in excess of 3% in both 2017 and 2018; that rate has generally persisted in 2019. An increase to economic immigration targets expected this year should help the Island further harness the economic potential of skilled newcomers as employment growth slows to a more sustainable pace.

Alongside steady employment and population gains, measures detailed in the new PEI administration's recent budget should support the province's expansion. Significantly stepped-up infrastructure spending to meet the needs of an influx of newcomers—announced in November 2018—will continue under the new government with additional support from Ottawa. As well, increases to the basic personal income tax amount and low-income tax threshold should modestly lift consumer spending beginning in 2020.

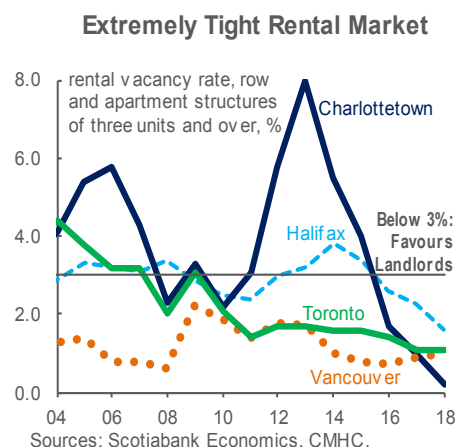
The new government also expanded efforts to alleviate housing affordability challenges on the Island. With an acute shortage of rental units in Charlottetown (chart), the Province earmarked funds for rental supplements and new construction beyond the targets announced in the prior administration's *Housing Action Plan*. These measures should help lift the supply of affordable housing alongside incentives implemented at the municipal level, but labour shortages remain in PEI's construction sector and the depth of the current shortfall suggests that sustained demand-supply realignment is at least a few years off.

Ventures likely to boost investment this year and next include the construction of a \$35 mn* cannabis greenhouse and warehouse and a \$60 mn wind farm—confirmed in the June budget—plus facilities upgrades by an aerospace firm and a biopharmaceutical manufacturer. The latter two projects should also eventually lift exports—aerospace and pharmaceutical products remain key to provincial trade and have risen briskly to start 2019. After inclement weather in much of 2018, potato production will likely return to more normal levels, though Canada's diplomatic dispute with China presents broad-based downside for exports and tourism.

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Prince Edward Island % change except where noted				
<u>Economic Conditions</u>	17	18e	19f	20f
Real GDP	3.5	2.6	2.1	2.0
Nominal GDP	4.8	4.6	4.1	3.9
Employment	3.1	3.0	1.4	0.8
Unemployment Rate, %	9.8	9.4	9.0	9.0
Housing Starts, 000s	0.9	1.1	0.9	0.8
<u>Fiscal Situation</u>	FY18	FY19	FY20	
Budget Balance, % of GDP	0.0	0.2	0.0	
Net Debt, % of GDP*	33.2	31.3	31.0	
Nom. GDP fcast: Scotiabank Economics. Sources: Scotiabank Economics, Statistics Canada, CMHC, PEI Finance.				



* Figures reported in Canadian dollars unless otherwise stated.

Provincial Forecast Summary

	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
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	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.4	2.0	2.1	1.3	0.6	2.1	1.4	1.5	1.4	0.5	2.2
2020f	2.0	0.8	2.0	1.3	0.8	1.8	1.8	1.5	1.6	2.5	3.0
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	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	2.7	3.0	4.1	3.0	2.2	3.2	2.6	3.3	3.3	1.3	4.2
2020f	4.2	3.9	3.9	3.3	2.5	3.7	3.7	3.3	4.0	4.6	5.7
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	2.1	1.9	1.4	2.3	0.5	1.5	2.5	1.2	1.6	1.0	3.0
2020f	1.0	0.2	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
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	11.8	9.0	6.8	8.0	5.2	5.6	5.5	5.5	6.7	4.6
2020f	5.9	11.6	9.0	6.8	8.0	5.4	5.8	5.5	5.5	6.8	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	1.0	0.9	3.9	2.1	46	69	6.8	3.2	26	44
2020f	199	1.3	0.8	3.8	2.0	41	72	6.0	4.8	30	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	1,935	30	9	51	39	447	813	60	49	220	217
2020f	1,915	30	9	50	37	440	800	56	48	217	228
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2017	-18,957	-1,148	-1	151	-117	2,361	-2,435	-789	-1,218	-10,784	2,727
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-11,815	-522	14	28	5	2,500	-11,700	-470	-380	-6,711	374

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

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