

Prince Edward Island: 2020–21 Outlook*

POPULATION GAINS, INFRASTRUCTURE SPENDING PROPEL ABOVE-TREND EXPANSION

Brisk population growth—the principal driver of Prince Edward Island's robust recent expansion—has persisted since our last forecast publication and still puts the Island on a strong growth trajectory. PEI's headcount rose by 2.1% y/y or more in each of the 12 quarters to July 1, 2019—more than any other jurisdiction during that period and a streak not seen in the province in the 67 years for which data are available. Immigration still anchors those gains, but resumption of interprovincial inflows and continued natural growth are also constructive to further growth (chart). Amid these increases, the Island continues to churn out jobs—full-time positions climbed by 2.8% y/y or more in six of the last seven months.

Infrastructure outlays to address the needs of the Island's growing population are expected to provide additional support for the expansion. Spending under the Province's *Capital Budget*—concentrated in health, education, and transportation—is expected to peak at \$156.6 mn (2% of nominal GDP) in FY20 and average more than \$100 mn per year through FY24.

If there is downside to PEI's hefty population gains, it is the ensuing erosion of housing affordability. Mean home sale prices are up 8.4% y/y ytd as of August—more than any other province—and rental market tightness is acute. These conditions have prompted both demand-side policy moves—like the extension of a tourism levy to short-term rentals in Charlottetown—and efforts to boost supply—including forgivable loans for new construction of affordable housing units.

Canada's ongoing diplomatic dispute with China still presents downside for exports and tourism, but PEI's trade outlook is otherwise more auspicious. Poor weather plagued potato yields in 2018, but an early-year increase in related farm cash receipts suggests a better growing season for the Island's signature crop this year. Beyond 2019, capacity enhancements underway in the aerospace and pharmaceuticals industries should further assist exports.

CONTACTS

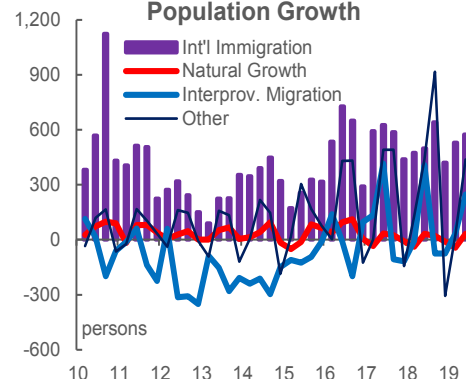
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Prince Edward Island % change except where noted

Economic Conditions	18e	19f	20f	21f
Real GDP	2.6	2.1	1.9	1.8
Nominal GDP	4.6	4.1	3.9	3.8
Employment	3.0	1.8	0.8	0.6
Unemployment Rate, %	9.4	8.9	9.0	9.1
Housing Starts, 000s	1.1	1.1	1.1	1.0
Fiscal Situation*	FY19	FY20	FY21	
Budget Balance, % of GDP	0.2	0.0	0.1	
Net Debt, % of GDP	31.3	31.0	30.3	

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

Sources of PEI Population Growth



* Figures reported in Canadian dollars unless otherwise stated. Data finalized Oct. 9, 2019.

Provincial Forecast Summary

(annual % change except where noted)

	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2000–18	2.1	2.4	1.8	1.3	1.2	1.8	2.0	2.3	2.0	2.8	2.7
2018e	1.9	-2.7	2.6	1.2	0.1	2.5	2.3	1.3	1.6	2.3	2.4
2019f	1.6	2.0	2.1	1.3	0.6	2.4	1.7	1.4	1.3	0.5	2.2
2020f	1.8	0.6	1.9	1.3	0.8	1.6	1.7	1.5	1.5	2.4	2.8
2021f	1.9	0.8	1.8	1.1	0.7	1.6	1.6	1.5	1.7	2.7	2.4
Nominal GDP											
2000–18	4.3	5.6	4.2	3.3	3.4	3.7	3.9	4.4	5.4	5.9	4.7
2018e	3.6	0.5	4.6	3.2	1.9	4.2	3.5	3.1	3.8	4.5	4.4
2019f	3.2	3.5	4.1	3.0	2.2	3.7	3.3	3.4	3.4	1.9	4.4
2020f	3.8	2.9	3.9	3.2	2.4	3.3	3.4	3.3	3.8	4.5	5.4
2021f	4.3	3.7	3.8	2.8	2.1	3.6	3.9	3.3	4.5	5.7	5.1
Employment											
2000–18	1.4	0.6	1.1	0.6	0.4	1.3	1.3	1.0	1.1	2.2	1.5
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	1.1	1.8	2.2	0.6	1.6	2.6	1.2	1.7	0.8	3.0
2020f	1.0	0.0	0.8	0.3	0.2	0.8	1.2	0.6	0.7	1.0	1.5
2021f	1.0	-0.1	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2000–18	7.1	14.3	11.1	8.8	9.5	7.9	7.0	5.1	5.0	5.3	6.5
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	12.1	8.9	6.8	8.1	5.2	5.6	5.4	5.4	6.8	4.6
2020f	5.9	12.1	9.0	6.8	8.1	5.4	5.8	5.5	5.5	6.9	4.8
2021f	5.9	12.0	9.1	6.9	8.0	5.5	5.8	5.6	5.4	6.8	4.9
Housing Starts (units, 000s)											
2000–18	200	2.5	0.8	4.3	3.4	44	72	5.2	5.2	34	29
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019f	210	0.9	1.1	4.6	2.8	49	71	6.8	2.5	27	44
2020f	206	1.3	1.1	4.2	2.4	46	76	6.0	3.3	30	37
2021f	202	1.1	1.0	4.2	2.4	44	78	6.0	3.7	31	32
Motor Vehicle Sales (units, 000s)											
2000–18	1,674	29	6	48	38	415	646	48	45	217	182
2018	1,984	28	8	51	38	449	853	67	47	226	217
2019f	1,935	31	9	51	39	448	810	60	49	223	215
2020f	1,915	26	7	50	38	435	805	58	50	227	219
2021f	1,915	26	7	47	36	435	805	58	51	231	219
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2018	-18,961	-911	1	230	67	2,622	-3,672	-695	-303	-8,023	301
2019e	-14,000	-522	14	120	5	2,500	-7,435	-470	-268	-6,711	1,535
2020f*	-19,800	-575	2	31	38	0	-10,252	-360	26	-7,912	179

* NL budget balance in 2020 is net of one-time revenue boost via Atlantic Accord. Sources: Scotiabank Economics, Statistics Canada, CMHC, Budget documents; Quebec budget balance figures are after Generations Fund transfers.

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