

Prince Edward Island

FIRING ON ALL CYLINDERS

Improved public finances and new spending plans underlie upward revisions to our 2020–21 Prince Edward Island growth projections. The Province's final FY19 surplus exceeded the prior blueprint by \$43 mn (0.6% of GDP). With more spending room and facing a diminished debt burden, PEI intends to boost FY20–25 infrastructure outlays under its Capital Budget—beyond even the hefty increases laid out in 2018. As such, a more modest drag is anticipated for 2020–21: public spending is slated to fall by less than 10% from its FY20 peak by FY22, versus previous expectations of a 31% contraction over that span.

Hefty population gains concentrated in immigration are expected to persist. Newcomer admissions should continue to rise this year and next with increases to Ottawa's targets and further support from the Atlantic Immigration Pilot. With three successive median age decreases, PEI is the only Atlantic province in a position to generate natural population growth in 2020–21, and has witnessed positive net interprovincial migration in three consecutive quarters.

We continue to foresee robust investment activity in the province. A wind farm expansion slated for this year underpins that view. Optimism among Island firms has trended higher and generally exceeded that of those operating elsewhere in Canada, which bodes well for near-term capital outlays. Skills shortages in the construction sector could weigh on new construction as Islanders grapple with stretched affordability via housing supply shortfalls. Yet homebuilding will likely remain near record levels in the coming years, encouraged by further house price appreciation and supported by Provincial incentives.

PEI's trade outlook is also positive. Last year, the Island's external sector proved resilient to the dampening impact of trade-related tensions that plagued industrialized countries across the globe—growth in domestic exports and manufacturing shipments led the provinces and accelerated versus 2018 (chart). That resilience in part reflects the breadth of the Island's industrial base and its geographic export diversification, both of which bode well for the external sector in an uncertain environment. Aerospace manufacturers should skirt US tariffs given the sector's orientation towards maintenance and repair in PEI, with a further lift from capacity expansions completed in recent months in sectors such as pharmaceuticals and metal products.

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Economic Outlook

annual % change except where noted

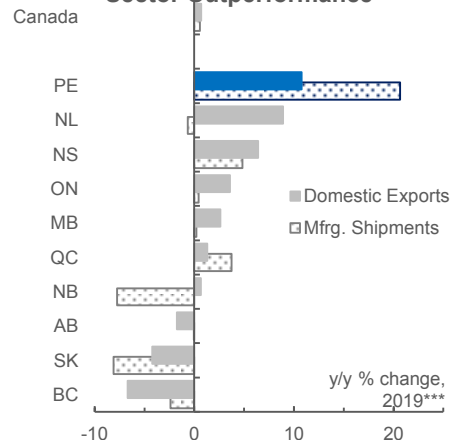
	18	19e	20f	21f
Real GDP	2.6	2.7	2.0	2.0
Nominal GDP	4.2	4.6	3.9	4.0
Employment	3.0	2.7	0.8	0.6
Unemployment Rate, %	9.4	8.8	8.8	9.0
Housing Starts, 000s	1.1	1.3	1.2	1.0

Fiscal Situation

% of nominal GDP*

	FY19	FY20	FY21
Budget Balance	0.8	0.0	0.1
Net Debt	30.7	30.3	--**

PEI's Industrial Sector Outperformance



* Nominal GDP forecast: Scotiabank Economics. ** Data not available. *** Jan.–Oct. for shipments, Jan.–Nov. for exports.

Sources for chart and tables: Scotiabank Economics, Statistics Canada, CMHC, PEI Finance.

Provincial Forecast Summary

(annual % change except where noted)

	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
Real GDP											
2010–18	2.2	0.5	2.0	0.9	0.6	1.7	2.2	2.2	2.5	2.8	2.8
2018	2.0	-3.5	2.6	1.5	0.8	2.5	2.2	1.3	1.3	1.6	2.6
2019e	1.6	2.1	2.7	1.7	0.6	2.5	1.7	1.3	1.0	0.5	2.1
2020f	1.5	1.1	2.0	1.3	0.7	1.8	1.5	1.1	1.2	1.6	2.1
2021f	2.0	0.5	2.0	1.3	0.7	1.7	1.8	1.4	1.6	2.5	2.4
Nominal GDP											
2010–18	3.9	3.2	3.9	2.7	2.8	3.7	4.1	4.0	3.3	3.8	4.5
2018	3.9	1.7	4.2	3.3	3.2	4.8	3.7	2.2	1.4	3.8	4.5
2019e	3.2	3.6	4.6	3.4	2.2	4.1	3.3	3.0	2.6	2.0	4.2
2020f	3.3	3.0	3.9	3.2	2.3	3.5	3.2	3.0	2.9	3.3	4.4
2021f	4.2	3.0	4.0	3.1	2.1	3.6	4.0	3.2	4.1	5.2	5.1
Employment											
2010–18	1.2	0.5	1.2	0.2	-0.2	1.1	1.3	0.8	0.9	1.5	1.4
2018	1.3	0.5	3.0	1.5	0.3	0.9	1.6	0.6	0.4	1.9	1.1
2019e	2.1	0.6	2.7	2.2	0.8	1.8	2.9	0.9	1.8	0.5	2.6
2020f	0.9	-0.1	0.8	0.3	0.2	0.9	1.2	0.6	0.7	1.0	1.3
2021f	1.0	0.0	0.6	0.1	0.2	0.8	1.0	0.6	0.6	1.2	1.3
Unemployment Rate (%)											
2010–18	7.0	13.3	10.8	8.8	9.3	7.4	7.3	5.5	5.2	6.1	6.4
2018	5.8	13.8	9.4	7.6	8.0	5.5	5.6	6.0	6.1	6.6	4.7
2019e	5.7	11.9	8.8	7.2	8.0	5.1	5.6	5.3	5.4	6.9	4.7
2020f	5.8	12.0	8.8	7.2	8.0	5.2	5.7	5.4	5.4	7.0	4.9
2021f	5.8	11.8	9.0	7.3	7.9	5.3	5.7	5.5	5.4	6.9	5.0
Housing Starts (units, 000s)											
2010–18	200	2.4	0.8	4.1	2.7	44	70	6.5	6.4	31	33
2018	213	1.1	1.1	4.8	2.3	47	79	7.4	3.6	26	41
2019e	209	0.9	1.3	4.7	2.9	48	69	7.0	2.4	27	45
2020f	205	1.2	1.1	4.3	2.4	46	75	6.0	3.3	30	37
2021f	203	1.1	1.0	4.2	2.4	44	77	5.9	3.7	31	33
Motor Vehicle Sales (units, 000s)											
2010–18	1,847	33	7	52	42	439	725	56	54	241	197
2018	1,983	28	8	51	38	449	853	67	47	226	217
2019e	1,922	31	9	51	40	442	820	57	48	218	207
2020f	1,915	28	8	50	40	430	815	52	49	227	213
2021f	1,915	25	8	50	40	430	815	50	50	232	218
Budget Balances, Fiscal Year Ending March 31 (CAD mn)											
2019	-14,000	-552	57	120	73	4,803	-7,435	-163	-268	-6,711	1,535
2020f*	-26,600	-944	1	37	88	1,400	-9,023	-350	37	-8,704	148
2021f	-28,100	-796	7	52	33	100	-6,800	-234	49	-5,883	291

* 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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