

Prince Edward Island

INDUSTRY MIX MAY HOLD BACK EVEN STRONGER RECOVERY

- Prince Edward Island's success in containing COVID-19 sets up strong growth this year, though challenges remain in some key sectors.
- Homebuilding, capital outlays in the manufacturing sector, and stepped-up infrastructure spending are expected to bolster the recovery.

PEI has held the lowest per-capita COVID-19 caseload of any Canadian province for much of the last year and has yet to report a COVID-19 death. As such, lockdown measures have generally been among the least restrictive in Canada, and mobility has improved more than in most other regions. This reflects a small population and island status as well as early and decisive policy action.

Yet labour market results were mixed in 2020. PEI's relatively subdued 3% full-time jobs loss in 2020 largely reflected pre-pandemic momentum that carried into Q1; the jobs recovery since late last summer has been among the softest of any province. Ditto for hours worked, though some improvement in hiring since October looks to have translated into Q4-2020 wage and retail sales gains stronger than the national mean.

Challenges remain in some key sectors. Tourism plays an outsized role in the Island economy; out-of-province visits are way down with travel restrictions in force. Agriculture accounted for 6% of full-time jobs before COVID-19 versus just 2% across Canada and has also held back hiring. The dairy sector—which last year made up 15% of farm cash receipts versus just 10% for Canada—is grappling with pandemic storage issues, while weak potato yields were also reported amid inclement weather. Finally, lockdown-resilient financial and technical services made up just 9% of 2019 full-time jobs versus a 16% national mean.

Capital spending trends are more auspicious. With a relatively sound fiscal position—its latest projections included a deficit at just 2% of output and an easing debt-to-GDP ratio—PEI raised its infrastructure budget by \$45 mn in FY22 (chart). Alongside housing market tightness, social housing initiatives likely contributed to the expected 2021 capital outlay gains reported in Statistics Canada's latest intentions survey results. That dataset also implies solid business investment gains this year for aerospace and chemicals manufacturing—two of the Island's niche products—as well as food processing. Demand for the latter held up well during lockdowns.

The Asia-Pacific region—especially China—held an important role in PEI's pre-pandemic trade profile. The pace of vaccination and recovery in said region should continue to influence Island trade prospects, alongside any lockdown-related logistical challenges—especially in the seafood industry.

The safe resumption of immigration flows is particularly important. PEI experienced the strongest population growth of any province during 2015–19, and newcomers accounted for three-quarters of those gains—a higher share than in any other province. Downside risk with respect to our baseline forecast therefore has potentially outsized negative consequences for the Island over the longer-run.

CONTACTS

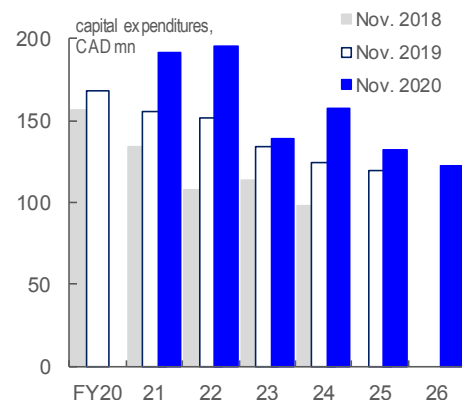
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Economic Forecast Details

annual % change except where noted

	19	20E	21F	22F
Real GDP	5.1	-3.6	5.2	3.3
Nominal GDP	7.0	-1.7	7.5	5.7
Employment	3.3	-3.2	4.1	2.9
Unemployment Rate, %	8.7	10.4	9.0	7.4
Housing Starts, 000s	1.5	1.2	1.2	1.2
Total CPI	1.2	0.0	2.1	2.2

PEI Capital Budget Increased Again



Sources: Scotiabank Economics, PEI Finance.

Provincial Forecast Summary

	(annual % change except where noted)										
Real GDP	CA	NL	PE	NS	NB	QC	ON	MB	SK	AB	BC
2010–19	2.2	1.0	2.3	1.1	0.7	1.9	2.3	2.1	2.2	2.6	2.8
2019	1.9	4.0	5.1	2.4	1.2	2.7	2.1	0.6	-0.7	0.1	2.7
2020e	-5.4	-5.1	-3.6	-4.0	-3.2	-5.1	-5.7	-3.6	-5.2	-6.8	-5.0
2021f	6.2	3.8	5.2	5.6	5.2	6.6	6.3	5.1	5.9	6.0	6.1
2022f	4.0	1.5	3.3	3.5	3.4	4.1	4.2	3.5	3.6	4.3	4.1
Nominal GDP											
2010–19	4.0	3.5	4.3	2.9	2.8	3.8	4.1	3.8	3.3	3.7	4.5
2019	3.6	4.1	7.0	3.8	3.0	4.3	3.8	1.0	0.1	2.7	4.4
2020e	-4.6	-6.8	-1.7	-2.1	-1.3	-3.9	-4.4	-1.6	-7.5	-9.3	-2.3
2021f	9.7	9.0	7.5	8.0	7.4	9.1	9.4	7.2	10.7	12.1	9.1
2022f	6.9	4.5	5.7	5.8	5.8	6.8	6.8	6.0	7.4	8.0	6.4
Employment											
2010–19	1.3	0.6	1.5	0.3	0.0	1.2	1.4	0.9	0.8	1.2	2.0
2019	2.2	1.1	3.3	2.3	0.8	2.0	2.8	1.0	1.9	0.7	3.0
2020	-5.1	-5.7	-3.2	-4.7	-2.6	-4.8	-4.8	-3.7	-4.7	-6.6	-6.6
2021f	4.2	3.4	4.1	4.3	3.9	4.3	4.3	3.9	4.0	4.1	4.4
2022f	3.6	1.0	2.9	3.1	2.9	3.6	3.8	3.2	3.3	3.9	3.6
Unemployment Rate (%)											
2010–19	6.9	13.3	10.6	8.7	9.4	7.1	7.0	5.6	5.3	6.2	6.1
2019	5.7	12.3	8.7	7.4	8.1	5.1	5.6	5.3	5.6	7.0	4.7
2020	9.6	14.1	10.4	9.8	10.0	8.9	9.6	8.0	8.4	11.4	8.9
2021f	8.0	13.0	9.0	8.2	8.9	7.3	8.0	6.8	7.0	10.0	7.3
2022f	5.7	12.2	7.4	6.6	7.2	5.1	5.6	5.0	5.1	7.5	5.0
Housing Starts (units, 000s)											
2010–19	201	2.2	0.8	4.2	2.7	44	70	6.6	6.0	31	34
2019	209	0.9	1.5	4.7	2.9	48	69	6.9	2.4	27	45
2020	219	0.8	1.0	4.9	3.7	55	81	7.3	3.1	24	38
2021f	222	0.8	1.2	5.0	3.1	57	80	6.3	3.2	27	39
2022f	214	0.8	1.2	4.5	2.5	52	76	6.0	3.5	29	38
Motor Vehicle Sales (units, 000s)											
2010–19	1,819	33	7	51	41	432	715	55	53	237	194
2019	1,916	34	8	53	41	454	789	53	46	227	214
2020	1,569	28	7	44	34	376	612	46	40	186	180
2021f	1,790	31	8	50	38	439	712	52	45	211	206
2022f	1,920	32	8	52	40	472	769	54	47	225	221
Budget Balances, (CAD mn)											
2019*	-39,400	-1,383	22	2	98	4	-8,672	5	-319	-12,152	-321
2020e	-381,600	-1,838	-178	-779	-13	-2,991	-38,468	-2,048	-2,045	-20,192	-13,643
2021f	-141,200		-70			-8,250	-33,100		-1,350	-18,221	
2022f	-50,700		-38			-7,000	-28,150		-855	-10,982	

* NL budget balance in 2019 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 and Stabilization Reserve transfers.

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