

Prince Edward Island

TOURISM STILL THE FLY IN THE GROWTH OINTMENT

- Control of COVID-19 remains an advantage for PEI.
- Exposure to tourism will likely hold back the Island's near-term recovery.

Canada's smallest province continues to carry Canada's smallest COVID-19 case load. PEI still has not recorded a single COVID-19 death, and its lockdown measures—according to the Oxford University index—are less severe than even those in the other Atlantic Provinces. That enabled relatively unrestricted mobility and one of the smallest economic contractions of any province last year.

Yet, international and interprovincial travel restrictions weigh heavily on the Island economy given its heavy reliance on the tourism sector. The sector will continue to face significant difficulties so long as COVID-19 restrictions remain in place. Indeed, tourism indicators point to still-very-weak seasonal activity, and cruise ship visits to Canada have been banned until next year. More positively, the Atlantic travel bubble is set to reopen this month and could help tourism activity alongside further vaccination progress..

PEI's agricultural sector had a positive 2020; early indications for this year's growing season are mixed. Farm cash receipts surged to an all-time high last year—supported by strong potato prices—but operating costs are also on the rise and last year's drought—which acutely impacted the potato crop—resulted in the sharpest inventory value decline in over a decade. Weak starting inventories could hurt farms' bottom lines in 2021, but yields should normalize if weather conditions are more supportive. Dairy product receipts also rallied to end 2020 and begin this year on firm footing, after struggling with storage issues early last year.

Prospects are also mixed for the Island's wide range of manufacturing industries. On the one hand, food manufacturing—concentrated in seafood and frozen food and accounting for an outsized industry share in the province—looks likely to continue to benefit from strong pricing. On the other, purchases from niche PEI durable goods industries such as aerospace and engine repair will likely be held back by COVID-19-related uncertainty.

As most elsewhere in Canada, PEI's housing market has gotten off to a roaring start this year. Residential construction investment—concentrated in single-family dwellings—is up more than 50% y/y ytd as of April, supported by still-low interest rates, torrid price gains, and a desire for more space during the pandemic. As of May, repeat home sales were up almost 80% versus the first four months of last year. The key question for housing is how quickly immigration can resume—PEI witnessed the strongest population growth of any province during 2015–19, and newcomers accounted for three-quarters of those gains—more than in any other province.

Stepped-up infrastructure outlays—announced late last calendar year in PEI's capital budget—continue to factor into our forecast. The province aims to keep capital expenditures at about \$196 mn (2.6% of nominal GDP) this fiscal year in order to bolster the economic recovery. Read our take on PEI's 2021–22 budget [here](#).

CONTACTS

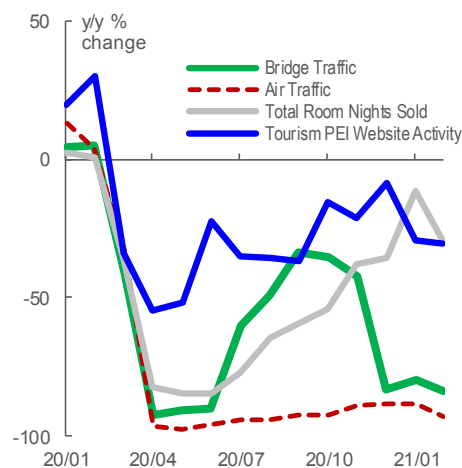
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Key Economic Indicators

annual % change except where noted

	20E	21F	22F
Real GDP	-3.0	5.0	3.2
Nominal GDP	-1.1	9.5	5.5
Employment	-3.2	3.3	2.5
Unemployment Rate, %	10.4	8.3	7.4
Housing Starts, 000s	1.2	1.2	1.1
Total CPI	0.0	3.4	2.5

Select PEI Tourism Indicators



* Includes inventory value change. Sources for tables and chart: Scotiabank Economics, Statistics Canada, CMHC, Tourism Industry Association of Prince Edward Island.

Provincial Forecast Summary

The Provinces	(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	-5.3	-5.3	-3.0	-3.2	-3.7	-5.3	-5.8	-4.8	-5.2	-8.2	-3.8
2021f	6.1	3.8	5.0	5.2	5.4	6.9	5.8	5.7	5.5	6.2	6.4
2022f	4.0	2.5	3.2	3.4	3.3	3.8	4.3	3.5	3.6	4.2	4.4
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	4.1	3.4	3.3	4.7	4.1	4.3	3.7	3.7	3.3	4.4	5.3
2022f	3.3	1.3	2.5	2.6	2.3	3.2	3.6	3.0	2.9	3.7	3.4
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	7.6	12.5	8.3	7.9	8.2	6.3	8.1	6.3	6.2	9.2	6.7
2022f	5.8	12.1	7.4	6.9	7.3	4.9	6.0	4.9	4.9	7.0	4.9
Motor Vehicle Sales (units, 000s)											
2010–19	1,818	33	7	51	41	432	715	55	53	237	194
2019	1,914	34	8	53	41	454	789	53	46	227	214
2020	1,564	28	7	44	34	376	612	46	40	186	180
2021f	1,750	32	9	50	40	425	673	52	45	216	208
2022f	1,973	34	9	55	44	480	764	56	50	244	235
Budget Balances, (CAD mn)											
2019**	-39,400	-1,383	22	3	49	4	-8,672	5	-319	-12,152	-321
2020	-354,200	-1,644	-120	-706	-13	-6,240	-38,468	-2,080	-1,865	-20,192	-8,144
2021f	-154,700	-826	-112	-585	-245	-12,250	-33,100	-1,597	-2,611	-18,221	-9,698
2022f	-59,700	-587	-46	-218	-296	-8,500	-27,700	-374	-1,685	-10,982	-5,484

* Based on preliminary estimates of real GDP by industry for all provinces but Quebec and Ontario. ** 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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