



Prince Edward Island 2019 *Provincial Economic Update*

The following document is an update to the economic situation of the province since the introduction of the provincial budget. This document will briefly discuss the national and international context, before providing an in-depth look at the economic indicators for the Island. All information in this document is current to 12 November 2019.



Highlights of the Prince Edward Island Economy



- As of July 1, 2019, Prince Edward Island's population is estimated to be 156,947. This represents a yearly increase of 3,363 persons or a 2.2 per cent annual growth rate, the fastest growth amongst provinces.
- Total labour income on the Island, through the second quarter of 2019, grew by 4.7 per cent on a year-to-date basis, faster than the national average of 3.9 per cent.
- Employment on Prince Edward Island averaged 77,460 on a year-to-date basis through October, an increase of 2.1 per cent from the same period in 2018.
- Average weekly earnings have increased 2.6 per cent on a year-to-date basis through August.



- On a year-to-date basis through September, consumer prices have increased by 0.9 per cent.
- On a seasonally adjusted basis through August, retail sales have advanced 3.0 per cent, the fastest growth amongst provinces.
- The value of new motor vehicle sales has increased 9.3 per cent on a year-to-date basis through August, while the volume of new motor vehicles sold has increased by 3.7 per cent.
- Through the first three quarters of 2019, housing starts have increased 50 per cent, compared to the same period last year, the fastest growth amongst provinces.



- On a year-to-date basis through August, the value of seasonally adjusted manufacturing shipments has increased 22.1 per cent, the fastest growth amongst provinces.
- International exports have increased 10.6 per cent through September, the fastest growth amongst provinces.
- Information from the Department of Economic Development and Tourism indicates that total overnight stays on the Island have increased 2.8 per cent on a year-to-date basis through August.
- The average of private sector forecasts for real GDP for the Island in 2019 is 2.2 per cent.



International and National Economic Context

The economic climate globally is deteriorating, with the IMF lowering growth projections from 3.3 to 3.0 per cent – the lowest level of global growth since the 2008-09 recession. Decreases are projected for both advances and emerging economies. Geopolitical tensions and trade

uncertainty continue to be the major concerns weighing on global growth, leading to lower levels of investment, lower trade volumes and weak business confidence.

The Canadian economy, has been more resilient than anticipated. The Canadian economy has grown 1.4 per

cent on a year to date basis through August. Service producing industries have grown 2.3 per cent, while the goods sector has declined 0.9 per cent. Employment continues to grow, while average weekly wages continue to outpace inflation, and shipment and export growth remain positive.



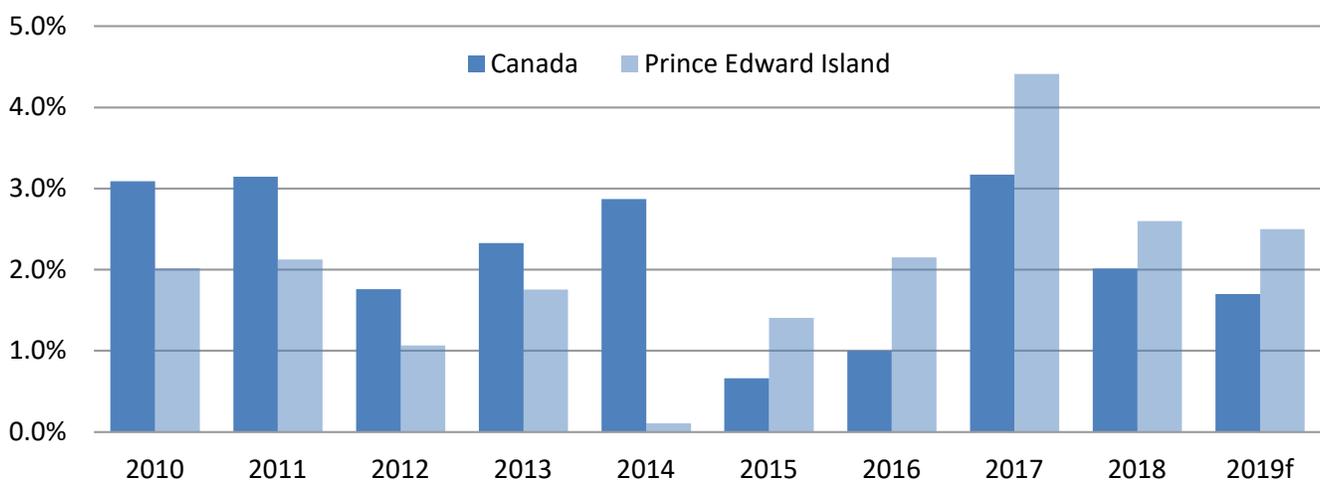
Provincial Economic Context

The Prince Edward Island economy continues to strengthen with the province posting solid economic growth over the past decade. The province has outpaced the national average GDP growth since 2015, and is on pace to do so again in 2019. The Island, with its mix of industries and relative stability has always done a good job of weathering the economic headwinds that come from other areas, the difference being this time that it is being bolstered by an increasing population. This has translated into a growing labour force, increased employment, and robust domestic demand, and far from treading water, the Island is now in

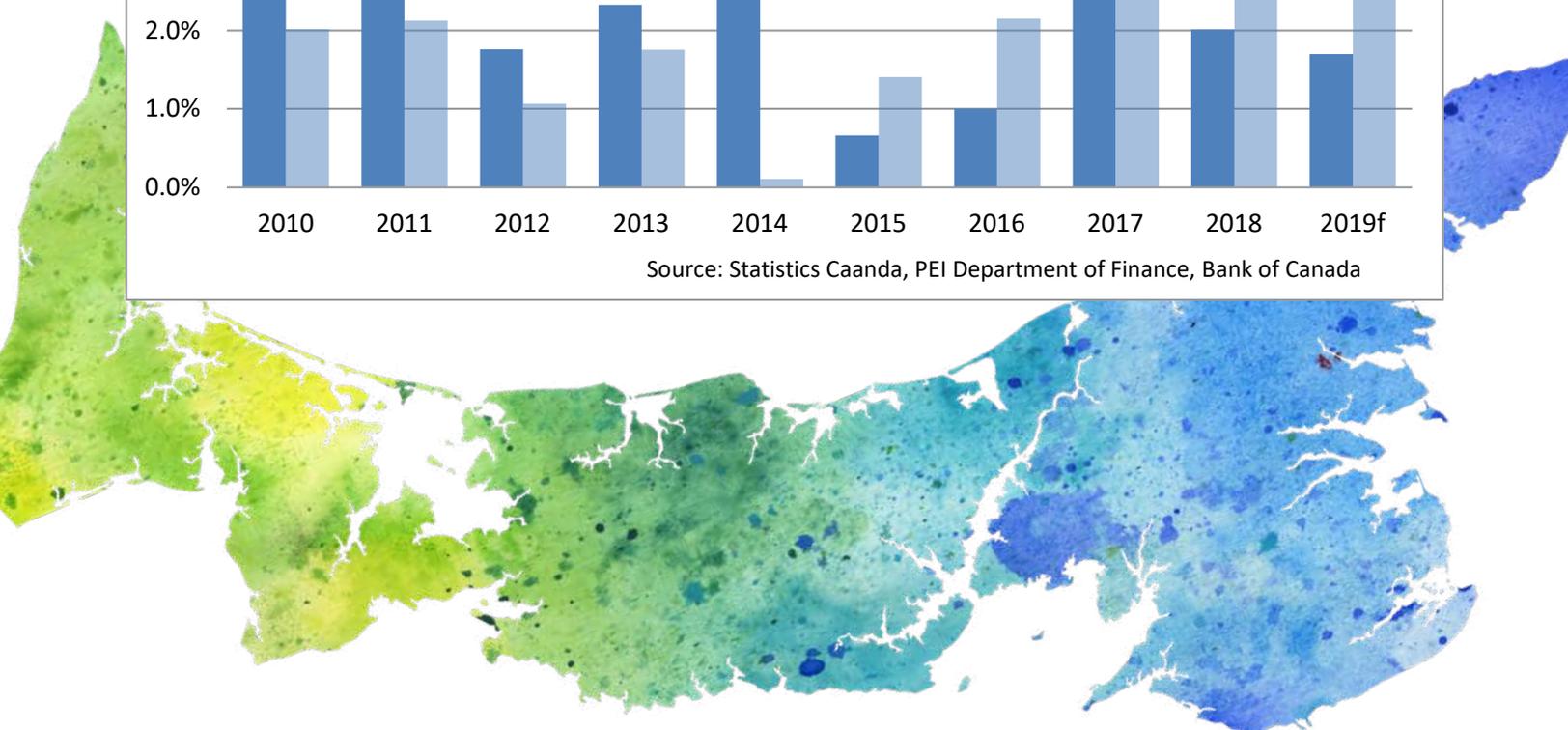
the midst of a period of sustained robust economic growth. The economic indicators discussed below bear this out, and the outlook for 2020 is promising.

On an industry basis, real GDP expanded by 2.6 per cent in 2018, a faster pace than the 2.0 per cent expansion nationally, and tied with British Columbia for the fastest growth amongst provinces. GDP growth in 2018 can be attributed to increased exports and housing investment, moderated by slower growth in household spending, and declines in non-residential investment and machinery and equipment.

Figure 1: Real GDP growth PEI and Canada 2009-2019f



Source: Statistics Canada, PEI Department of Finance, Bank of Canada



Population and Immigration

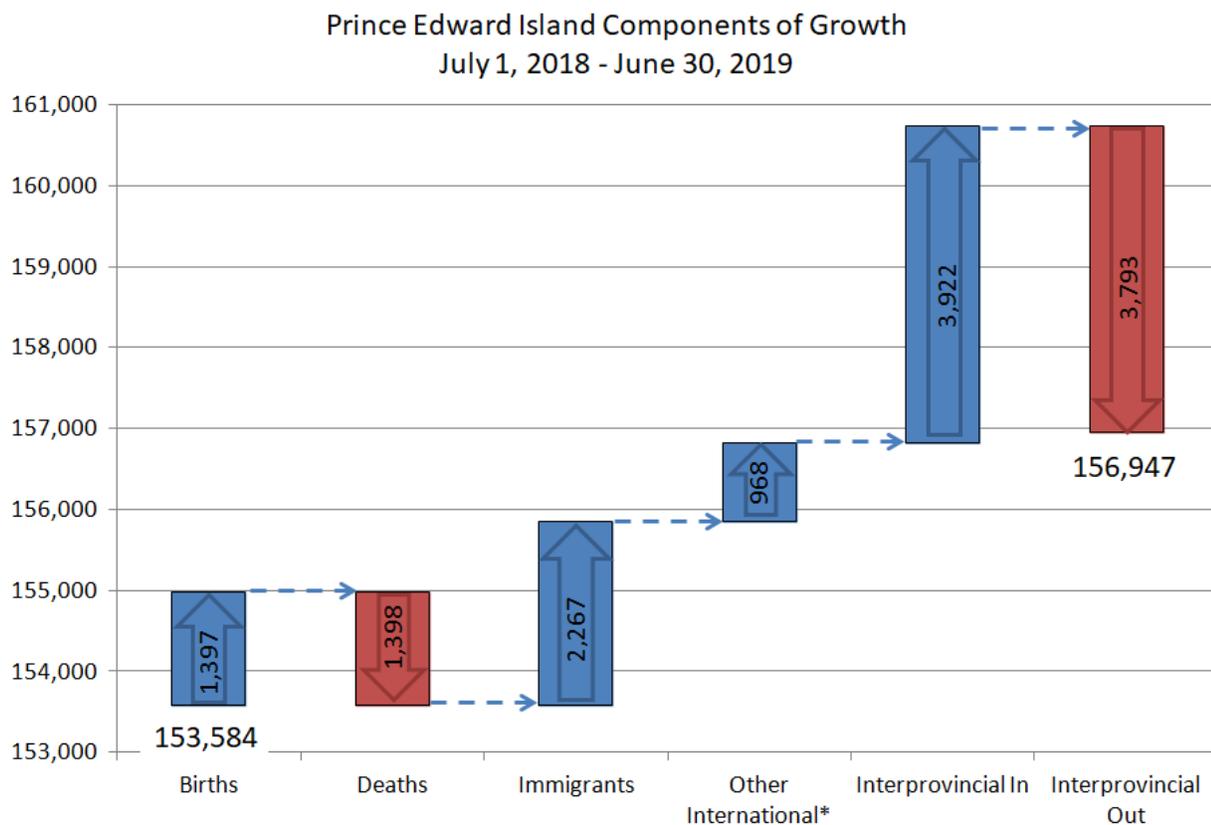
Prince Edward Island's population is growing rapidly. On September 30, 2019 Statistics Canada published its preliminary provincial population estimates for July 1, 2019, as well as revisions to the 2017 and 2018 population estimates. As of July 1, 2019, Prince Edward Island's population is estimated to be 156,947. This represents a yearly increase of 3,363 persons or a 2.2 per cent annual growth rate. This was the highest growth rate in the country for 2019 and the fourth consecutive year leading the provinces. Between July 1, 2016, and July 1, 2019 almost 10,000 additional people have come to call Prince Edward Island home.

International immigration continues to be the driving force behind the Island's population growth. International immigration increased by 7.8 per cent in 2018/19. From July 2018 to June 2019, 2,267 international immigrants came to the province, as compared to 2,102 the previous year. At a rate of 14.6 per thousand, the province had the highest immigration rate in the country, ahead of Saskatchewan at 11.9 per thousand. The immigration rate for Canada was 8.4 per thousand.

Migration from other parts of Canada was also positive in 2018/19. Over this time period, a total of 3,922 inter-provincial migrants came to Prince Edward Island, while 3,793 people left the province for other areas of Canada for a net interprovincial gain of 129 persons. There were 1,397 births and 1,398 deaths on Prince Edward Island from July 1, 2018 to June 30, 2019, resulting in natural growth (births minus deaths) of minus 1.

"As of July 1, 2019, Prince Edward Island's population is estimated to be 156,947".

The median age on Prince Edward Island on July 1, 2019 was 43.2, a decline of 0.3 from 2018 and the third consecutive year the median age has declined. The decline in the median age has coincided with faster growth in the school age, and working age populations; since 2015 the population of working age has increased by 6.7 per cent, with the majority of the growth occurring in the 25-44 age group. This has led to a turnaround in the employment situation on the Island.



*Other International = 1,019 Net Non-Permanent Residents - 104 Emigrants + 94 Returning Canadians - 41 Temporary Abroad



Employment

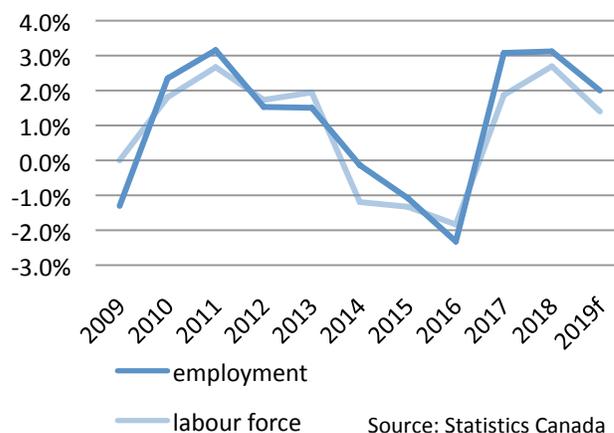
Before the increase in population began to impact the Island, the labour force situation on the Island was in decline, a similar situation to the other provinces in the Atlantic region. As can be seen in Figure 3, the labour force and employment peaked in 2014, and then began to declining, before rebounding in 2017. Since that time, growth in the labour market and labour market indicators has been robust.

Employment indicators on the Island continue to be positive this year. According to the Labour Force Survey (LFS), employment on Prince Edward Island averaged 77,460 on a year-to-date basis through October, an increase of 2.1 per cent from the same period in 2018, or approximately 1,500 people. Through October, there has been an expansion in full-time employment, up 3.1 per cent, while part-time employment has declined by 3.2 per cent. As can be seen in Figure 4, employment growth to date has been strongest in British Columbia, Ontario and Nova Scotia. Nationally, employment has grown by 2.2 per cent through October.

The labour force on the Island has expanded by 1.6 per cent to average 85,100 people through October. The participation rate has averaged 66.3 per cent, down 0.5 percentage points from the same period in 2018. Prince

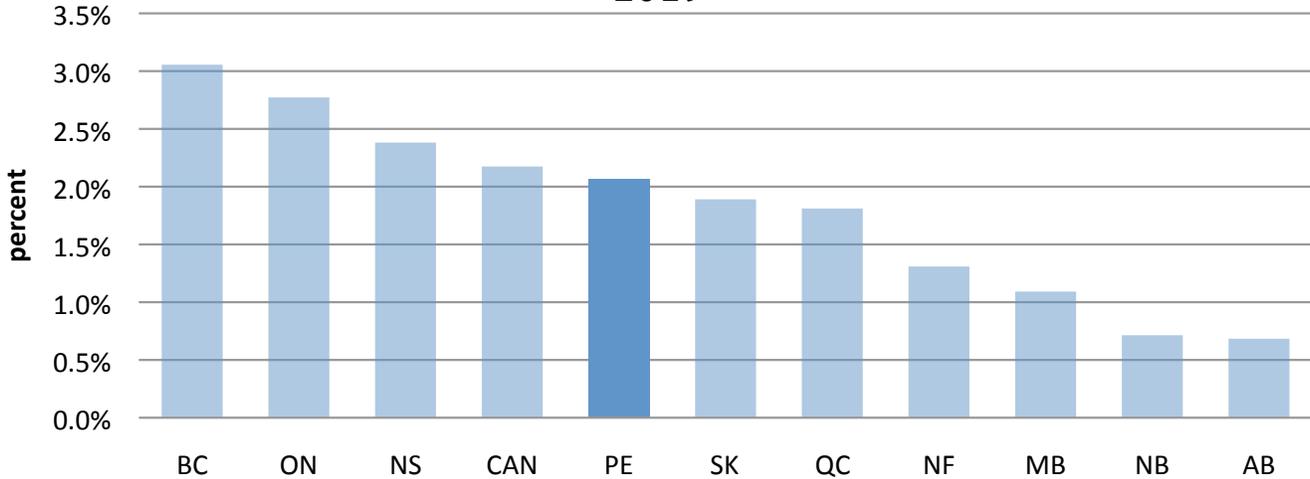
Edward Island continued to have the fourth highest participation rate amongst provinces behind Alberta, Saskatchewan and Manitoba over this time period.

Figure 3: Growth in Employment and the Labour Force PEI, 2009 - 2019f



"Employment in the service sector has increased 1.9 per cent through October, or by approximately 1,100 people".

Figure 4: Employment Growth Canada and the Provinces YTD 2019



Source: Statistics Canada

Though the labour force is expanding, the unemployment rate is continuing to fall, averaging 9.1 per cent year-to-date, down 0.4 percentage points from the same period one year ago. At the current rate, the Island is on track to record its lowest annual unemployment on record (since 1976). Nationally, the unemployment rate averaged 5.6 per cent over this time period.

On an industry basis on the Island, employment in the goods sector increased 2.8 per cent through October. Gains in the goods sector are being led by the construction sector owing to the

growing pace of building construction on the Island. Other industries recording gains were in agriculture and utilities. Through October, manufacturing has been the largest employer in the goods producing sector, with employment averaging 6,600 to date. Nationally, employment in the goods sector has expanded 0.8 per cent over this time period.

Employment in the service sector has increased 1.9 per cent through October, or by approximately 1,100 people. Notable gains to date have occurred in public administration, management administrative and other

support services, and health care and social assistance. On a year-to-date basis through October, retail/wholesale trade continues to be the largest employer on the Island, averaging 11,100, followed by health and social assistance, averaging 11,000 people. Nationally, the service sector has grown by 2.5 per cent over this time period.

According to the Survey of Employment, Payroll and Hours (SEPH), the number of jobs on the Island have increased 3.6 per cent on a year-to-date basis through August, the fastest growth amongst provinces.

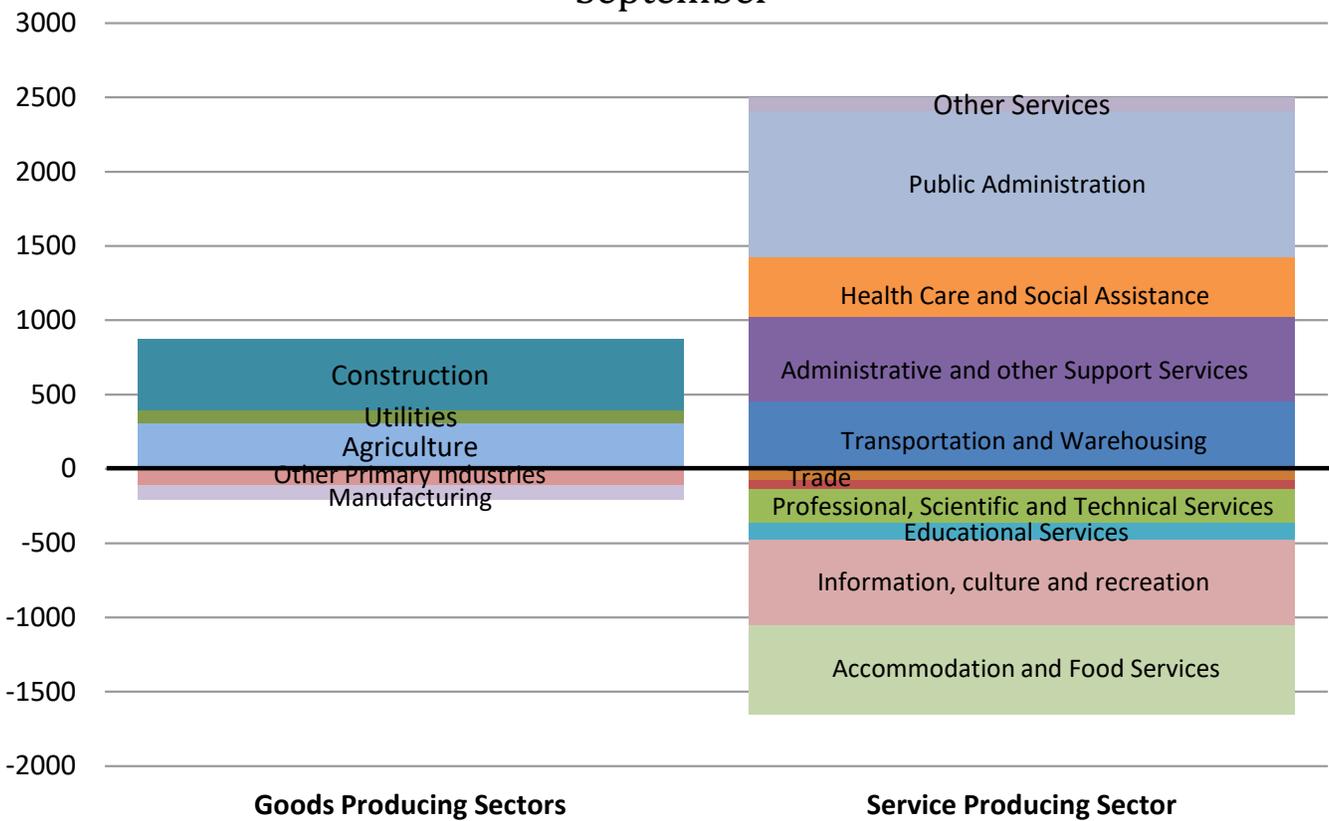
Employment on Prince Edward Island has averaged 77,460 so far in 2019

an increase of 2.1 per cent from the same period in 2018



Prince Edward Island

Figure 5: Components of Growth in Employment PEI YTD September



Source: Statistics Canada

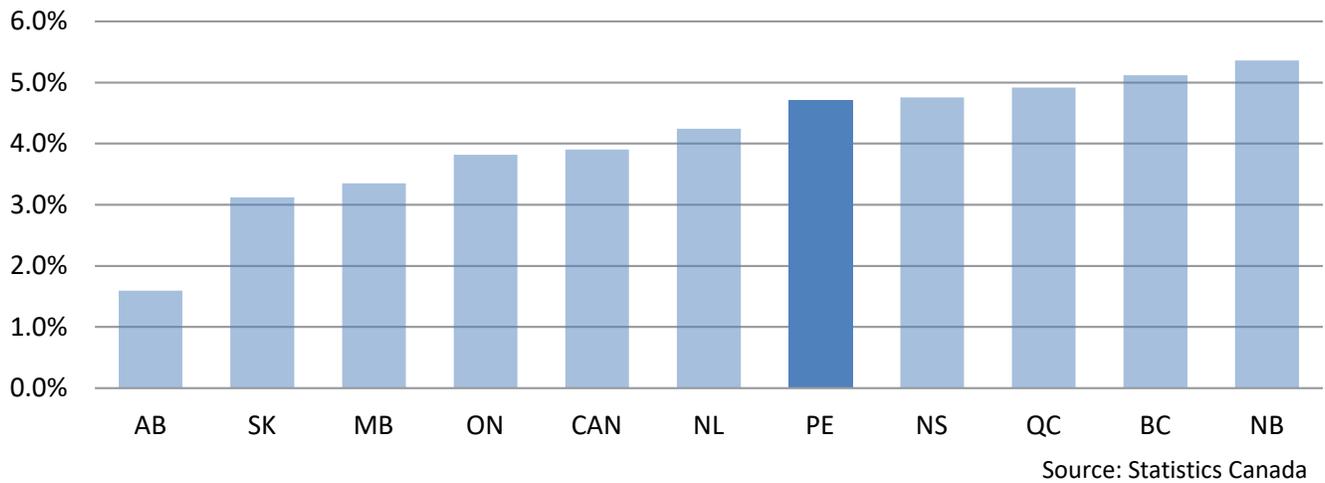
The number of jobs has increased in both the goods producing industries, up 2.9 per cent, and in service producing industries, up 3.9 per cent. Nationally, SEPH employment advanced 2.2 per cent over this time period.

Average weekly earnings have increased 2.6 per cent on a year-to-date basis through August. Average weekly earnings have grown in all provinces through August, with growth ranging from a high of 3.7 per cent in Nova Scotia, to

a low of 0.7 per cent in Alberta. Average weekly earnings on the Island have grown by 2.7 per cent in the service sector, led by gains in professional services, real estate and leasing and trade. Average weekly earnings in the goods producing sector have increased 1.8 per cent through August. Over this time period wages in the manufacturing sector have increased 4.6 per cent while wages in the construction sector have increased 0.3 per cent.

Though Prince Edward Island has recorded growth in average weekly earnings so far in 2019, the Island, at an average weekly wage rate of \$858.70, had the lowest average weekly earnings in the country through August, an average of \$38.79 lower than the next lowest province. Wage growth however, has continued to outpace inflation so far in 2019. For Canada as a whole, average weekly earnings have increased 2.4 per cent on a year-to-date basis through August.

Figure 6: Growth in the Compensation of Employees Canada and the Provinces YTD 2019



As can be seen in Figure 6, total labour income on the Island, through the second quarter of 2019, grew by 4.7 per cent on a year-to-date basis. Growth ranged from a high of 5.4 per cent in New Brunswick to a low of 1.6 per cent in Alberta. Nationally, the compensation of employees grew by 3.9 per cent over this time period.

Consumer Prices

Overall, inflation remains muted on Prince Edward Island, with consumer prices up 0.9 per cent through September. Food inflation and shelter inflation have increased by 3.4 per cent and 0.2 per cent respectively, while energy inflation has declined 4.7 per cent. Prices for gasoline and household heating fuel have declined relative to the same period in 2018, down 7.1 per cent and 1.4 per cent

respectively. As Prince Edward Island is relatively more dependent on oil for heating than other parts of the country, energy commodities have a larger weight in the province's CPI basket, with the result being the muted increase in inflation seen so far this year. Absent energy, consumer prices have increased 1.7 per cent over this time period.

Core inflation on the Island (the measure of inflation excluding volatile components such as food and energy) has increased 1.3 per cent through September. Nationally, inflation has increased 1.9 per cent over this time period.



Prince Edward Island

Retail Trade, Motor Vehicle Sales and Wholesale Trade

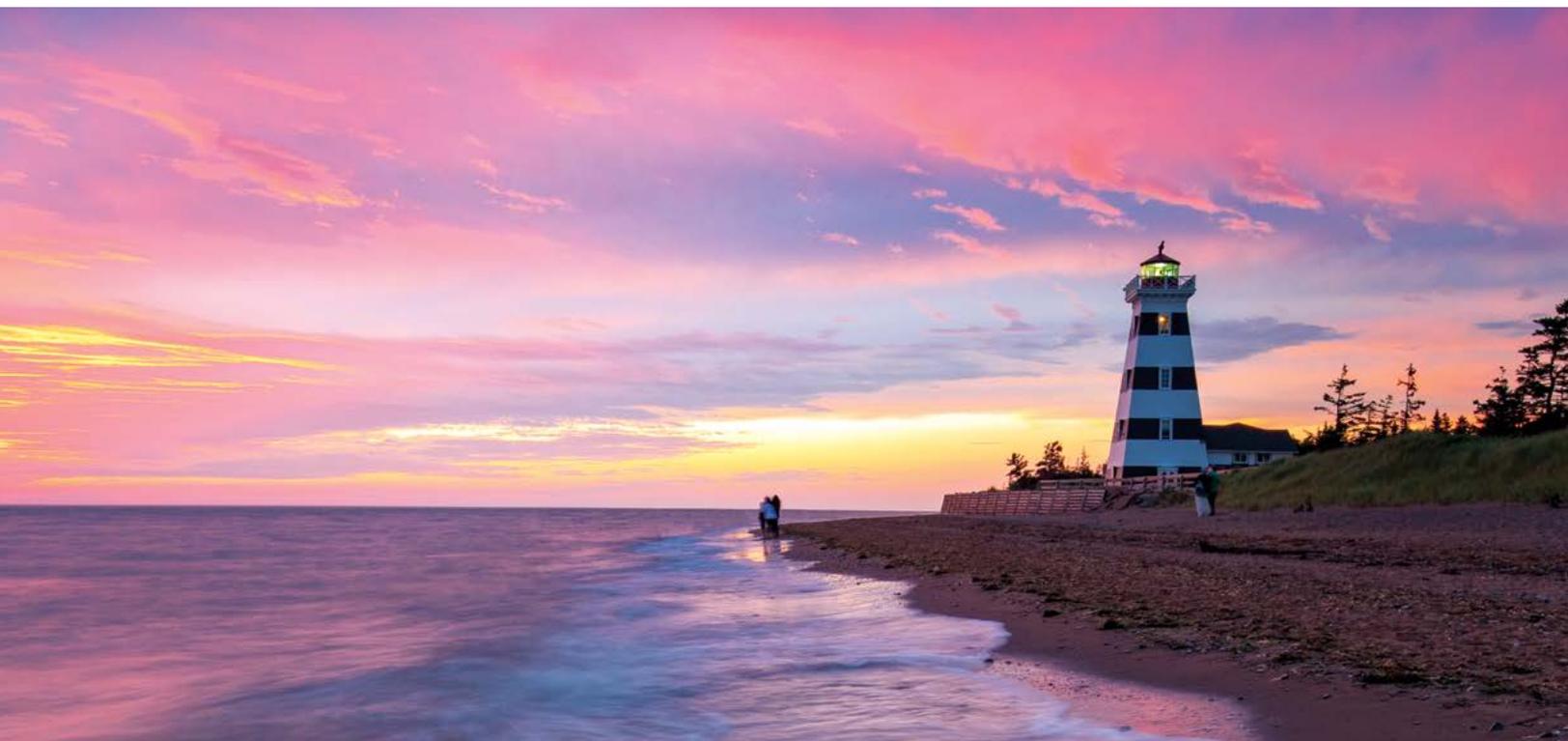
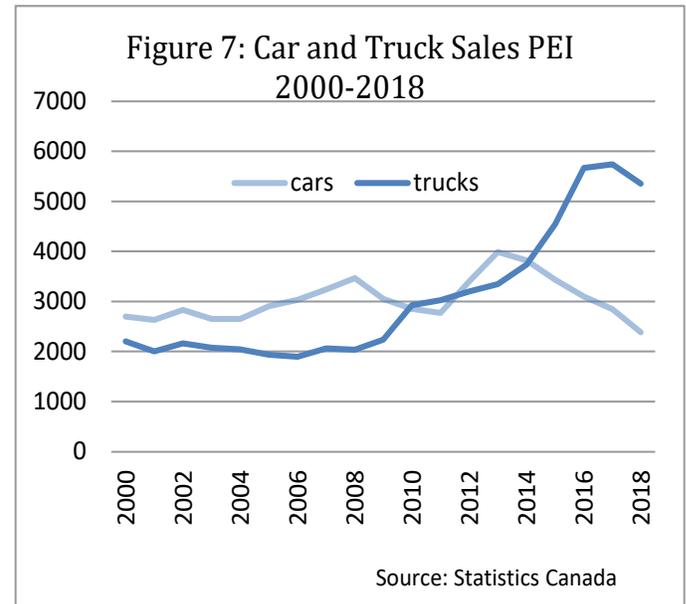
Continued strong population growth, higher income growth and a positive tourism season are contributing to another strong year for retail sales in 2019. On a seasonally adjusted basis through August, retail sales have advanced 3.0 per cent, the fastest growth amongst provinces. Nationally, retail sales increased 1.7 per cent over this time period.

Broad growth across retail components has been observed through August, with notable contributions to growth coming from motor vehicle and parts dealers, up 3.4 per cent, food and beverage stores, up 3.4 per cent, and general merchandise stores, up 6.4 per cent.

The value of new motor vehicle sales has increased 9.3 per cent on a year-to-date basis through August, while the volume of new motor vehicles sold has increased by 3.7 per cent. The volume of passenger cars is down 1.9 per cent, while the volume of truck sales - which includes minivans, SUV's and light duty trucks - are up 6.2 per cent. As can be seen in Figure 7, the decline of car purchases and the increase in truck purchases is a trend that has been taking place since 2014. Nationally, the volume of new motor vehicles sold has decreased 3.9 per cent, while their value

has decreased 0.4 per cent over this time period.

Wholesale trade on the Island has increased 13.7 per cent on a year to date basis through August, the fastest growth amongst provinces. Nationally, wholesale trade has advanced 2.5 per cent over this time period.





Housing

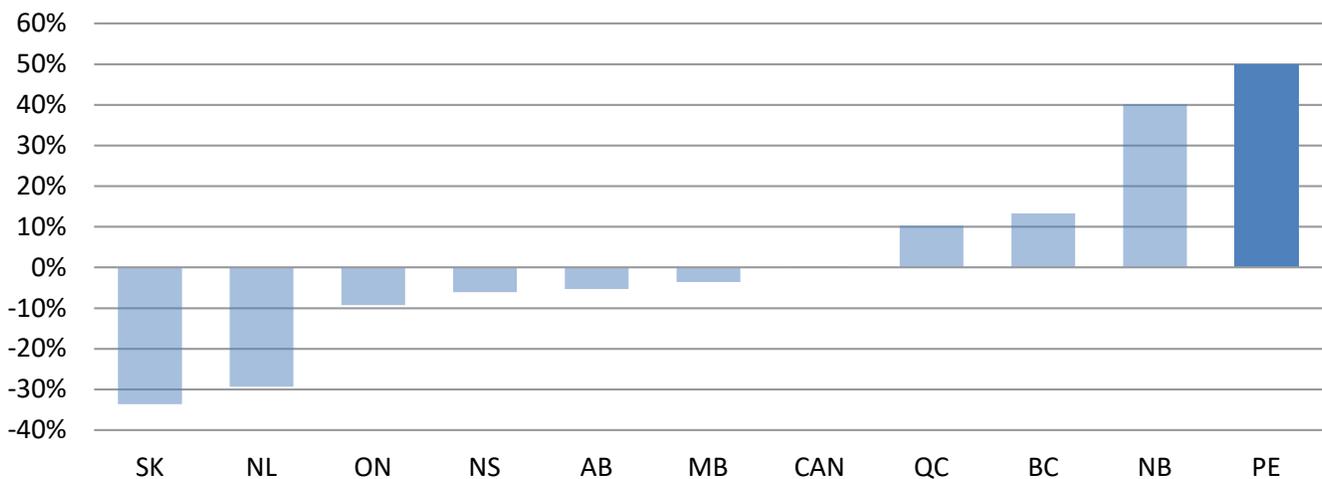
Housing Starts

Through the first three quarters of 2019, housing starts have increased 50 per cent, compared to the same period last year, the fastest growth amongst provinces. At 1,047 starts, the Island has almost reached the total number of starts recorded in

2018 (1,089 starts) a quarter early. In response to vacancy rates of less than one per cent, and increasing concerns about affordability, growth has been dominated by the multi-unit segment, with semi-detached houses, row houses and apartments up 48.5 per

cent, 140.9 per cent and 213 per cent respectively. Single-family home starts are down 34.3 per cent through three quarters. Nationally, housing starts have advanced 0.2 per cent over this time period.

Figure 8: Growth in Housing Starts YTD 2019



Source: Canada Mortgage and Housing Corporation



Building Permits

On a year-to-date basis through September, total building permits have increased by 36.5 per cent. Non-residential permits have increased 4.9 per cent as increases in industrial permits of 94.3 per cent were offset by declines on commercial and government and institutional permits of 42.9 per cent and 40.8 per cent respectively. Residential permits have increased 59.1 per cent over this timeframe, with growth in both single and multiple permits. Nationally, building permits through September have increased 3.5 per cent, with growth occurring in both residential and non-residential components.

Construction and Housing

Construction, across all categories, is playing a major role in the Island economy in 2019, with housing starts up, and major projects being completed. New home construction and investment in residential construction continues to grow, and are beginning to show signs of meeting the new reality of housing demand caused by population growth. In the resale market, supply has trended sharply lower over the last number of years as strong demand has eroded the supply of homes. Inventory levels are persistently around half of their long run averaged.



Resale Housing

According to the PEI Real Estate Association, on a year-to-date basis through September home sales totaled 1,475 units, a decrease of 7.2 per cent from the same period in 2018. The decline in house sales is not indicative of a lack of demand, but stems from record-low inventory levels, which are approximately half of their long-run average. The year-to-date average price was \$234,142, an increase of 10.5 per cent from 2018. At \$250,955 September 2019 was the first time the average price of a home on Prince Edward Island has exceeded the \$250,000 mark.

Investment in Building Construction

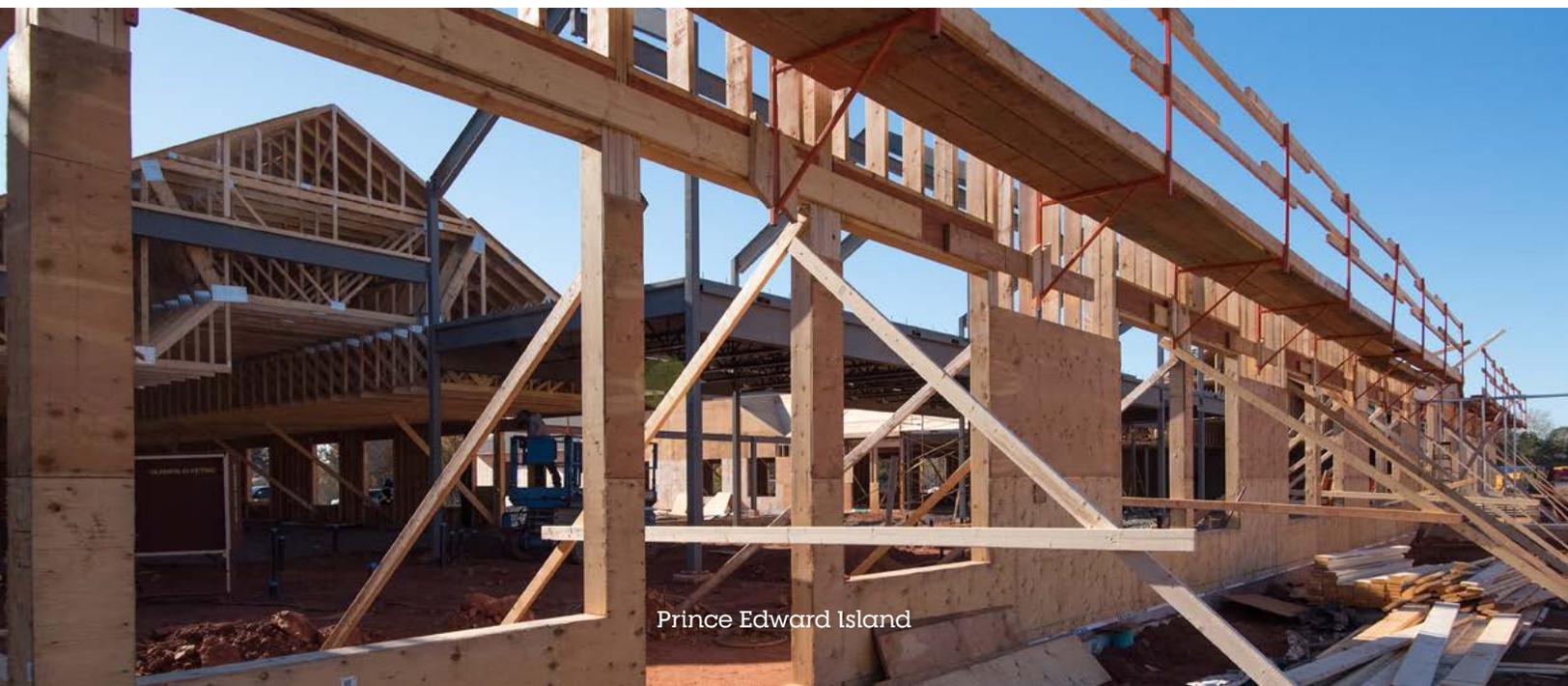
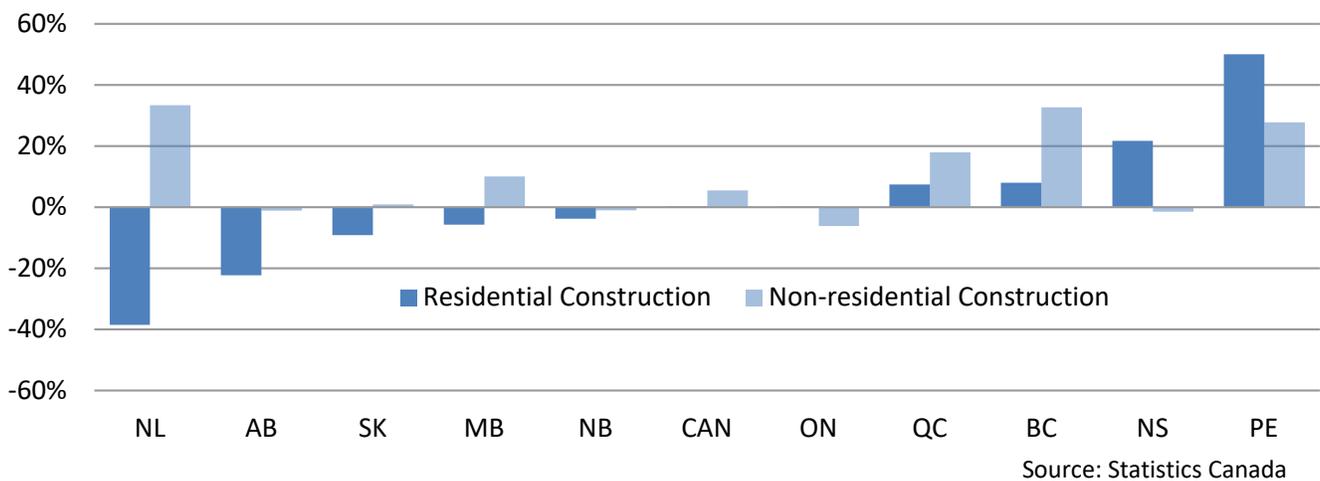
The total value of residential investment has increased 50.1 per cent through on a year-to-date basis August, the fastest growth amongst provinces. Investment is up across all components, notably in multi-unit construction where investment has grown 168.4 per cent year-to-date. Nationally, residential investment increased 0.2 per cent over this time period. It is expected that the value

of residential investment should continue to grow through the latter part of 2019, following the rising trend in building permits and housing starts.

On a year-to-date basis through August, non-residential investment has increased by 27.8 per cent compared to the same period in 2018. Gains of 11.2 per cent, 74.9 per cent and 8.5 per cent were recorded in commercial, industrial

and institutional and government investment respectively. Nationally, non-residential investment has increased 5.5 per cent over this time period. Growth ranged from a high of 33.4 per cent in Newfoundland and Labrador, to a decline of 6.2 per cent in Ontario. Figure 9 shows the growth in investment in building construction for both the residential and non-residential sector so far this year.

**Figure 9: Growth in Investment in Building Construction
Canada and the Provinces YTD 2019**



Prince Edward Island



Primary Industries

Farming

Farm cash receipts through the first quarter of 2019 totaled \$145.6 million, an increase of 15.6 per cent compared to the first quarter of 2018. Crop receipts are up 4.4 per cent due to increases in both potatoes (up 2.2 per cent), and other crops (up 15.9 per cent). Livestock receipts are up 0.4 per cent, while direct payments to farmers are up 177.3 per cent, due to an increase in crop insurance payments to farmers as a result of a poor growing season, especially for potatoes. Absent direct payments, farm cash receipts are up 3.1 per cent over this time period.

Crop prices, through September, have been higher than those recorded in 2018. The price for soybeans, the Island's second-largest crop by value is up 3.1 per cent through September, while the price of wheat, oats and barley are up 4.8 per cent, 10.3 per cent and 3.8 per cent respectively.

Livestock prices have been mixed through September. Prices for slaughter cattle and feeder cattle are up 0.3 and 24.7 per cent respectively, while slaughter calves and feeder calves are both down 6.3 per cent. The price for slaughter lambs is down 9.8 per cent, while the price of hogs has increased 8.9 per cent. For the supply-managed commodities, the price for chickens has increased 2.7 per cent, the price for eggs is up 4.6 per cent and milk prices are up 6.1 per cent through September.

Planted potato acreage was down by 500 acres in 2019 to 85,500 acres, a decrease of 0.6 per cent from 2018. Harvesting of the potato crop is ongoing, though estimates are that approximately 95 per cent of the crop is out of the ground. The harvest is expected to continue into November. Crop size is estimate to be average to slightly above average in those areas that got more rain during the growing season. Prices for potatoes, on a year-to-date basis through July are up 10.3 per cent.



Tourism

Information from the department of Economic Development and Tourism indicates that total overnight stays on the Island have increased 2.8 per cent on a year-to-date basis through August. The number of room nights sold at both fixed-roof accommodations and campgrounds has increased by 4.3 per cent and 0.3 per cent respectively.

Traffic to the Island via the Confederation Bridge has increased 1.6 per cent year-to-date through September, while air traffic has increased 3.3 per cent. Ferry traffic has decreased 3.3 per cent year-to-date. Ferry service to the Island suffered from mechanical problems through August, and was subject to reduced sailings in September as a result of hurricane Dorian.

The cruise ship season ended on 4 November 2019.

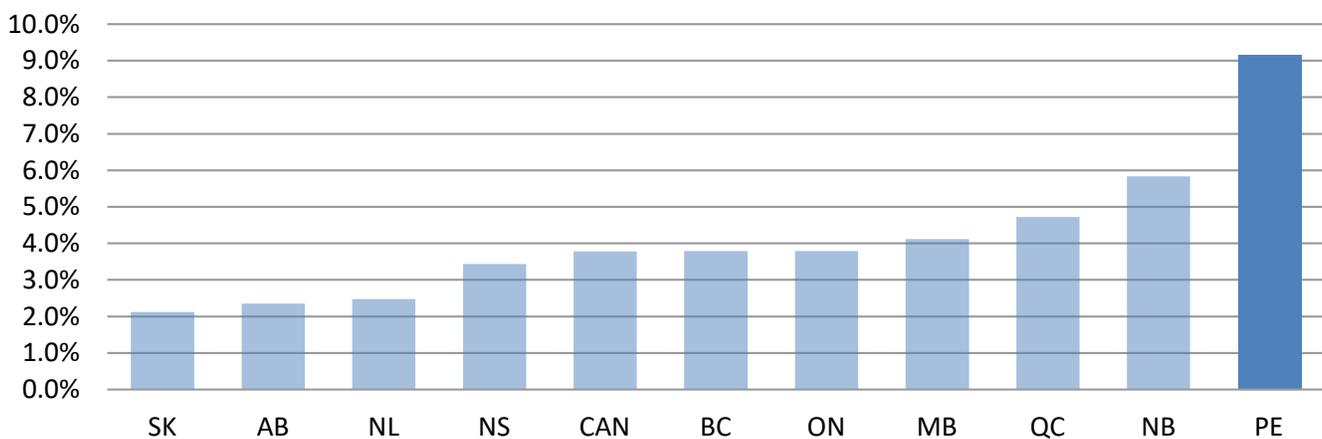
Over 128,000 passengers and 55,000 crew visited the Island on 87 ships. This is a 31 per cent increase in passengers compared

to 2018. At 93 per cent, Prince Edward Island has one of the highest debarkation rates in Atlantic Canada. The Port of Charlottetown estimates that the direct economic impact of the cruise industry at \$21.7 million.

Visits to the Prince Edward Island National Park have increased by 19.1 per cent through August, while visits to Green Gables have increased by 1.6 per cent. Visits to provincial heritage sites are up across all locations, with total visitors up 12.5 per cent year-to-date.

As can be seen in Figure 10, on a seasonally adjusted basis through August, sales at food services and drinking places have advanced 9.1 per cent, the fastest growth amongst provinces. Nationally, sales at food services and drinking places have grown by 3.8 per cent over this time period.

Figure 10: Growth in Sales at Food Services and Drinking Places YTD August



Source: Statistics Canada

Manufacturing Shipments and Exports

On a year-to-date basis through August, the value of seasonally adjusted manufacturing shipments has increased 22.1 per cent, the fastest growth amongst provinces. Growth was recorded in both the durable and non-durable goods sectors at 42.8 and 12.8 per cent respectively. Non-durable goods, largely composed of food and seafood shipments, represent approximately 70 per cent of the Island's manufacturing shipments, while durable goods are responsible for the remaining 30 per cent. Nationally, manufacturing shipments grew 1.2 per cent over this time period.

On a year-to-date basis through September, international exports have increased 10.6 per cent, the fastest growth amongst provinces. Nationally, international exports have increased 1.2 per cent through September.

The Island's food industries have seen

mixed results in exports so far this year. Frozen food manufacturing – the Island's largest export industry - has seen exports decline by 7.6 per cent year-to-date, while seafood product preparation and packaging - the second-largest export industry – has seen exports increase 19.9 per cent year-to-date. Aquaculture is down 0.5 per cent, while fishing is up 22.4 per cent through September. Vegetable and melon farming (potatoes) is down 22.1 per cent year-to-date.

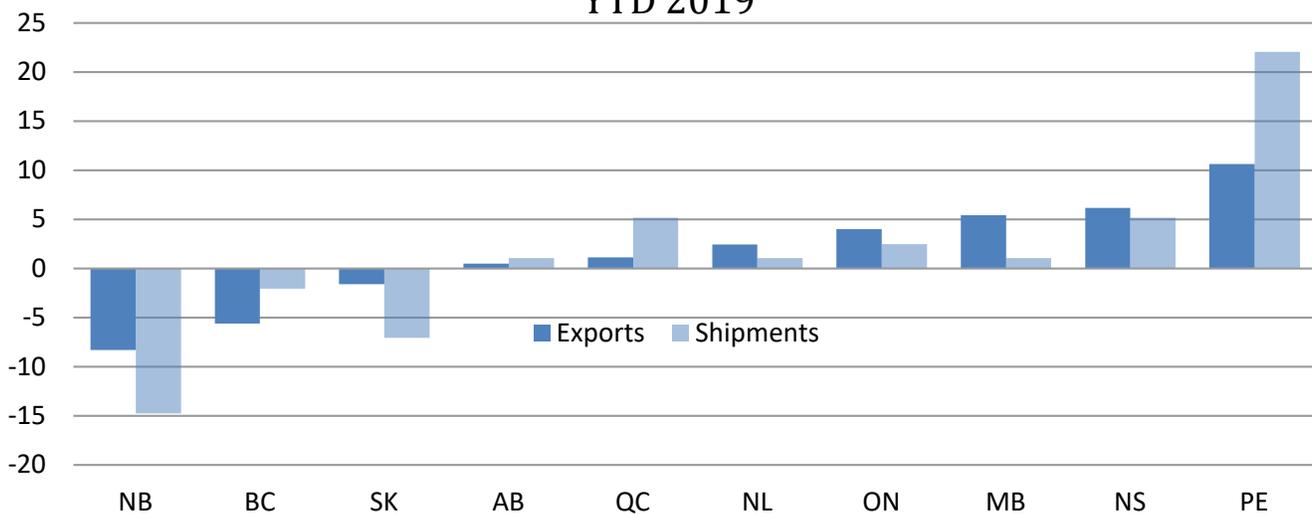
Aerospace exports have been positive on a year-to-date basis through September, with engine, turbine and power transmission equipment manufacturing up 0.3 per cent and aerospace product and parts manufacturing up 5.5 per cent. Bioscience exports have been mixed with pharmaceutical and medicine manufacturing up 62 per cent,

while other basic organic chemical manufacturing have declined 45.2 per cent on a year-to-date basis through September. Electrical equipment manufacturing continues to expand on the Island, and is now the Island's 9th largest export industry, and has grown 243.1 per cent year-to-date.

"Fishing is up 22.4 per cent through September"

The United States continues to be the destination of the majority of the Island's exports, with 73.2 per cent of the Islands exports heading there through September. This is an increase of 4.2 per cent over the same period in 2018. Singapore, Australia, China and Belgium round out the rest of the top five destinations for Island goods so far in 2019, though together they account for only 8.9 per cent of the Island's trade.

Figure 11: Growth in Manufacturing Shipments and Exports
YTD 2019



Source: Statistics Canada, Industry Canada

Private Sector Forecasts

Below, in Table 1, are the forecasts for real GDP growth for the Island from Canada's major banks and two think tanks. Forecasts for 2019 fall in a range of 1.2 per cent growth to 3.1 per cent growth, averaging 2.1 per cent, while forecasts for 2020 range from 0.8 per cent growth to 2.8 per cent growth, averaging 1.8 per cent. Forecasts have

been revised up since the 2019 Budget, where growth was forecast at 1.9 per cent for 2019 and 1.5 per cent for 2020. Driving the upward revisions in the forecast for the Island is the strong performance seen across a wide variety of economic indicators. However, some forecasters still view the underlying factor driving these indicators -

population increases on the Island - as a temporary phenomenon. This trend, and its outcomes, is projected to continue through the medium term, and consequently, there is likely upside to the average of the private sector forecasts.

Table 1:

Private Sector Forecasts				
Organization	Real GDP (% growth)			Date Issued
	2018	2019f	2020f	
Conference Board of Canada		3.1%	2.0%	5-Nov
TD Bank		2.2%	1.7%	19-Sept
RBC		2.2%	2.0%	12-Sept
CIBC		1.7%	1.0%	9-Oct
BMO		1.2%	0.9%	25-Oct
Scotiabank		2.1%	1.9%	10-Oct
National Bank		2.0%	1.9%	October 2019
Atlantic Provinces Economic Council		3.0%	2.8%	4- Nov
Average	2.6%	2.2%	1.8%	



Outlook 2019



Outlook 2020

According to the IMF, the outlook for the global economy in 2020 is to expand at a pace of 3.4 per cent, faster than in 2019 but a downward revision of 0.4 percentage points from its April Outlook. The Bank of Canada revised its forecast for the Canadian economy down marginally for 2020 from 1.9 per cent in July to 1.7 per cent in October due to lower projected investment and exports.

The recent solid expansion in GDP seen on the Island over the last number of years is projected to continue into 2020, as population growth is expected to continue to drive domestic demand, while increases in productive capacity continue to benefit the Island's

industries. Consequently, the Province is projecting real growth in the order of 2.5 per cent, owing approximately 1.5 percentage points to factors driven by population growth, and 1 percentage point to productivity and other economic factors.

Prince Edward Island is expected

"Prince Edward Island is expected to continue to benefit from strong international in-migration in 2020".

to continue to benefit from strong international in-migration in 2020. Changes to the structure of the

provincial nominee stream announced in the fall of 2018, are leading to projected higher retention rates which should help the Island's population to continue to grow through the medium term at levels above the national average. The Island should see an additional 2,300 immigrants in 2020, a level which looks to be maintained through the forecast horizon. At current immigration rates, the target of achieving a population of 160,000 by 2022 will be reached ahead of schedule. Longer term, recent population projections by Statistics Canada show the province's population reaching 200,000 people sometime about 2045 over a range of population growth scenarios.



2020 is to expand at a pace of 3.4 per cent, faster than in 2019
but a downward revision of 0.4 percentage points from its April Outlook

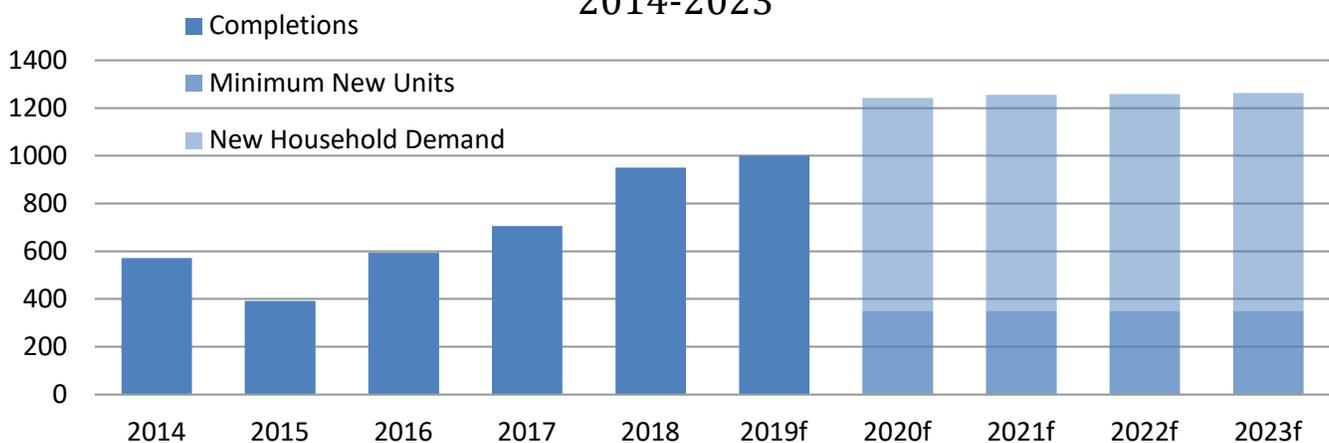
Employment growth should continue in 2020, especially as more immigrants are being brought into the province through the skilled labour stream. The economy has been able to absorb the new entrants into the labour market with ease, and should continue to do so, as immigration is now even more closely aligned to labour market requirements. Indeed, Prince Edward Island has had one of the highest rates of job vacancies in the country with widespread labour shortages across a variety of sectors, a trend that is projected to continue. Continued job vacancies, coupled with strong labour

demand could result in increased wage growth in 2020.

The construction sector should continue to see gains through 2020 due to strong demand on both the residential and non-residential fronts. On the residential side, new housing construction will continue to accelerate and then begin to stabilize at new, higher annual levels as the construction industry adapts to the sustained level of in-migration projected through the medium term. The Canada Housing and Mortgage Corporation (CMHC) forecasts starts

in the range of 725 to 900 units in 2020 and 600 to 725 units in 2021, significantly below projected demand. Demographic factors and immigration point to the need for an additional 1,300 units per year to meet demand, from both household formation and immigration, a much higher level of housing completions than has occurred on the Island in recent memory (1986 was the last time there were more than 1,000 completions on the Island). This indicates significant capacity for future expansion in residential construction sector (see Figure 12).

Figure 12: Estimated Household Completions Required PEI 2014-2023



Source: PEI Department of Finance, Statistics Canada, CMHC

The supply of resale housing at the end of September is at its lowest level in sixteen years due to several years of very strong demand. CMHC forecasts home sales on the Island to be in the range of 1,850 to 2,250 homes in 2020, with average prices continuing to increase. Vacancy rates continue to be low, an issue that will persist into 2020 and beyond.

After a very strong 2019 which will see the completion of several

major construction projects, 2020 is projected to continue the positive trend. Capital investments from all levels of government will continue to propel the industry, as government spending on social infrastructure will need to increase to service the growing population. Provincial capital spending will remain elevated in 2020. On 15 November, the province released its *Capital Estimates Fall 2019*, which allocates \$156.7 million in spending

in 2020-21, an increase of 16.4 per cent compared to last capital budget. Investments will continue to be made in education, health, transportation, and housing; notable investments in 2020-21 will include \$17.5 million for 100 additional affordable housing units, as well as \$8.5 million for the creation of a women's unit at the Provincial Correctional Centre. A new 30MW wind farm is also projected to begin construction in 2020.

Commercial building should continue to see gains in 2020, as the investment cycle for commercial construction often lags the residential construction cycle. This should continue to drive increased employment in the sector, and continue to have a positive impact on wages.

The tourism sector will undergo some changes in 2020, as the City of Charlottetown prepares to enact a new by-law governing short-term rentals.

However, some increase in accommodation capacity will come online in 2020 with the completion of a new hotel downtown, while stock that was completed later in the season in 2019 will be fully utilized. The completion of the port expansion should bode well for the 2020 cruise ship season, as the new berth is expected to be ready in late spring 2020. The commitment to new ferries at the Wood Island-Caribou crossing also bodes well for the tourism industry in the medium term, as mechanical issues have resulted in ferry cancellations over the past number of tourism seasons. The Tourism Industry Association's goal is to increase tourism to 1.75 million visitors annually by 2021.

Even in the current global trade environment, demand for Island products continues to be robust. This bodes well for retaining markets for the Island's primary industries in 2020. Agriculture and fishing should both continue to contribute positively to the economy, though changing weather patterns continue to provide downside risk to both industries.

Though the Island economy has been somewhat isolated from some of the economic fluctuations impacting other regions of Canada by nature of our differing resource base and rapid population growth, the Island is not immune to the overall forces of economic disturbance witnessed worldwide. Island shipments and exports depend on positive economic conditions in Canada and internationally; lower trade volumes will have an impact on the Island. New trade agreements may provide some relief against these headwinds, as Canada now has free trade agreements with all other G7 countries, as well as with countries together representing two-thirds of the world's total GDP. However, to take full advantage, Island businesses would need to

once again begin to diversify their export markets.

Closer to home, managing growth and its effects remains the biggest risk to the outlook. This presents itself mainly as housing shortages and labour shortages. On the housing side, lack of suitable accommodations continues to be a challenge to people relocating or staying on the Island. Appropriate planning and zoning to make sure what is being built is sustainable for the future is quickly becoming as important as further increasing the pace of building.

On the labour side, shortages are projected to continue into the foreseeable future across numerous industries upon which the Island's economic success depends including construction, agriculture, aquaculture, fish processing, accommodation and food services and retail trade, and more recently in areas such as public education. Though immigration will help to alleviate some of these pressures, increased productivity will need to be addressed over the longer term.





Prince Edward Island Budget Paper on the Economy