



# Prince Edward Island 2020

## *Provincial Economic Update*

*The following is an update to the economic situation of the province since the release of the Fall Economic Update. This document will provide a preliminary outlook for 2020, followed by an in-depth look at the economic indicators for the province for the year that was 2019. All information in this document is current to April 1, 2020.*





# Preliminary Outlook 2020

The beginning of 2020 has seen considerable unrest due to numerous factors, including low oil prices, supply disruptions due to rail blockades and significant amounts of geopolitical tensions. This was all happening in a context of decelerating growth both in Canada and abroad. However, though these factors and their causes remain in the background, the major economic factor in 2020 is the impact of the COVID-19 pandemic. Due to the social distancing requirements put in place to attempt to halt the progression of the virus, there has been a staggering decline in employment, as businesses are forced to shutter, and in wealth, as stock markets dip lower. However, governments the world over have committed significant amount to stimulus measures in an effort to provide funds directly to individuals and businesses so that they can weather this period of prolonged shutdown. Estimates for global growth have fallen from the 3 per cent range to as low as 1.5 per cent if the crisis is prolonged, half the levels projected just months earlier, with estimates continuing to be revised down.

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Nationally, the Government of Canada has announced \$108 billion, or 4.7 per cent of GDP on direct spending measures to support health and safety and to help individuals and businesses cope with restrictions imposed by social distancing. In addition, an estimated \$655 billion of liquidity support is being made available to individuals, businesses and credit markets. Parliament had been suspended until April 20th, but was recalled briefly to pass the stimulus measures to aid the millions of Canadians who have already applied for employment insurance, and the people and companies who employ them. Parliament is to be recalled to pass additional support measures.

The Bank of Canada also cut the target for the overnight rate on three separate occasions on March 4th, March 13th, and March 27th by 50 basis points each time so that the target now sits at 0.25 per cent. The last time the Bank of Canada lowered interest rates was in 2015. The Bank has also announced significant new facilities to improve liquidity. It is possible that interest rates may fall further in 2020 as the scope of the economic damage caused by the coronavirus becomes more apparent. Estimates for growth in the Canadian economy differ depending on assumptions about how long measures are in place.

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The Conference Board of Canada projects real GDP to grow by 0.3 per cent in their baseline scenario, but could contract by 1.1 per cent if measures are in place until the end of August.

Prince Edward Island began 2020 on a positive economic note, as growth remained robust through the last quarter of 2019 and into the first few months of this year. As a result, the first quarter of 2020 will likely be strong, especially as a significant amount of demand was likely brought forward through the end of March in preparation for the social distancing requirements implemented, and the shuttering of non-essential businesses. Demand will fall lower, particularly in April and beyond, as most establishments remain shuttered, and most Islanders remain home.

Provincially, the government has announced an initial amount of \$25 million in supports to businesses and individuals dealing with lost income from the social distancing measures required at the present time. The Provincial Legislature is also postponing the spring sitting of the legislature, but has indicated the legislature could be recalled on short notice if need be.

Growth has been revised down significantly for the Island in light of the recent developments. As forecasts from the major forecasters continue to be revised, more and more are forecasting negative growth for the Island in 2020. The longer social distancing measures are in place, the greater the negative effect will be on the economy.

Once measures are eased, a significant bounce-back in consumer spending should take place.

Consumer spending has played a significant role in the Island's economic growth over the last number of years, and tends to recover faster than other parts of the economy after a downturn.

Employment also continued the momentum from 2019 into the early part of 2020. To limit the spread of COVID-19 within communities, the Chief Public Health Officer declared a Public Health Emergency on March 16, and soon after ordered the closure of non-essential workplaces, and instituted a policy of social distancing in the remaining work environments and public spaces. Individuals who have traveled outside of the province are required to self-isolate for 14 days upon their return. These policies have affected the work situation of employees and the self-employed.

There is also concern about the safety of the workplaces by those who are at high risk from the virus, have compromised immune systems, or care for those who do.

These concerns will amplify the impact on employment across industries.

The effect of these restrictions on the employment situation can be modelled using Labour Force Survey estimates of employment (including the self-employed) by industry, and an estimate of the current level of restrictions in place.

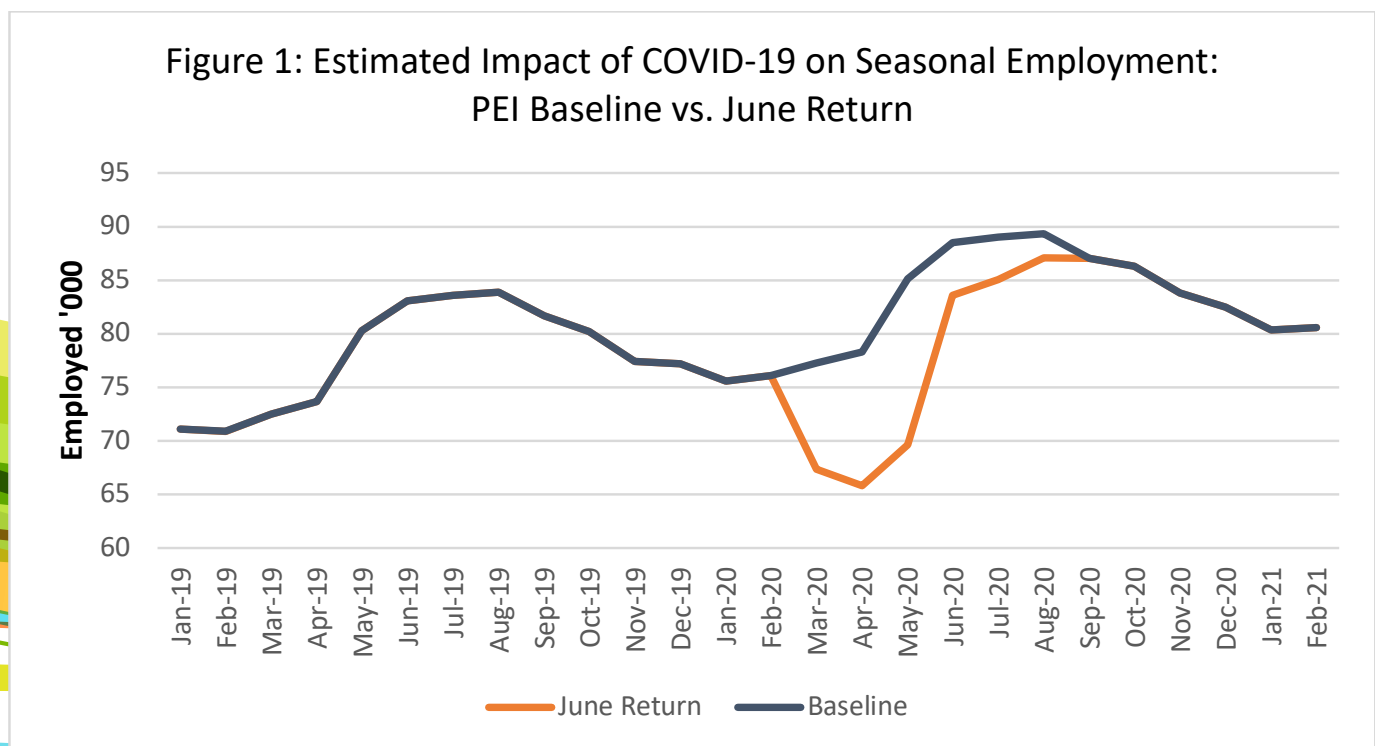
In the shorter-term, it is expected that by end of March the number of employees that are impacted by the closures and restricted business hours could total 13,500 people. As businesses and employees respond to the restrictions and additional tightening of social distancing, the impact on employment could reach 17,500 people in April and peak at 20,200 people in May. These figures include people facing reduced hours, layoff, or temporary furlough.

The ultimate severity and duration of the closures and social distancing restrictions are unknown and will depend on evidence of community transmission of the virus.

The resumption of hiring and employment, outside of high demand sectors such as healthcare, is tied to the easing of the social distancing requirements.

The shorter the time frame when the restrictions are in place will result in a quicker return to normal employment levels. Conversely, the longer the restrictions are in place will result in greater loss of employment opportunities during the peak employment months of July and August.

**The following chart and table illustrate a potential rebound where the restrictions are lifted at the beginning of June and a return to normal by September.**



	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
<b>Total, all industries</b>	<b>13.5</b>	<b>17.5</b>	<b>20.2</b>	<b>4.9</b>	<b>3.9</b>	<b>2.2</b>
Fishing, hunting and trapping	0.5	0.5	0.0	0.0	0.0	0.0
Mining, quarrying, and oil and gas extraction	0.1	0.1	0.1	0.0	0.0	0.0
Construction	2.0	2.6	3.0	0.0	0.0	0.0
Manufacturing	0.6	0.8	2.1	0.4	0.1	0.1
Wholesale trade	0.2	0.2	0.2	0.0	0.0	0.0
Retail trade	3.5	3.4	3.4	1.0	0.7	0.4
Transportation and warehousing	0.3	0.6	0.8	0.2	0.4	0.1
Finance and insurance	0.0	0.4	0.2	0.0	0.0	0.0
Real estate and rental and leasing	0.1	0.1	0.2	0.1	0.0	0.0
Professional, scientific and technical services	0.4	0.9	0.8	0.3	0.0	0.0
Business, building and other support services	0.2	0.5	0.6	0.2	0.2	0.3
Educational services	0.1	0.0	0.0	0.0	0.0	0.0
Health care and social assistance	0.2	0.2	0.2	0.1	0.0	0.0
Arts, Entertainment and Recreation	1.0	1.5	1.6	0.6	0.7	0.4
Accommodation and food services	3.4	4.2	5.3	1.6	1.2	0.7
Other services (except public administration)	0.8	1.2	1.0	0.3	0.2	0.1
Public administration	0.1	0.2	0.5	0.1	0.4	0.1

*Source: PEI Department of Finance*

**As can be seen in Table 1 the Accommodations and food service and Arts, Entertainment and Recreation industries are expected to see the largest concentration of employment losses during this downturn. This is followed by the Construction and Retail sectors.**

Once work resumes, wages should continue to increase on the Island due to planned increases in the minimum wage, and increases in the wages of persons working for major grocery chains.

Economic growth has been tied to strong international immigration to the Island over the past number of years. The provincial Population Action Plan, released in the spring of 2017, has plans to grow the population to 160,000 by 2022 through a combination of immigration, positive inter-provincial migration and increased retention of international students. The current projection is still to see an additional 2,300 immigrants come to the Island in 2020. With the imposition of border restrictions, immigration to the Island will be curtailed in the short term. However, it is likely that this will be made up over subsequent quarters, but the timing is uncertain.

Demographic factors will continue to impact the Island's labour force as the population continues to age. The high levels of immigration that the province has been recently witnessing have forestalled this trend, with the median age falling, and the core-aged working population growing

again in 2019. So long as immigration rates remain elevated, pressure on the Island's median age and core-aged working population will be muted through the medium term. The aging of the population and its associated effects will continue to be felt in the areas of labour and health care.

After several positive years of tourism performance on the Island, 2020 is poised to be a difficult year for the industry. Tourism is responsible for approximately 3 per cent of the Island's GDP, the highest amongst provinces, making Prince Edward Island the most exposed jurisdiction to the tourism related impacts of the current pandemic. At six per cent, Prince Edward Island is also the jurisdiction most dependent on tourism related employment. Though the winter/spring season is generally slower than other times of the year, numerous tournaments, conferences, concerts and awards shows have been cancelled. Consequently, the majority of tourist accommodations are shuttered at present, while staff has been laid-off. Though, at the current time, it may be possible to salvage a portion of the main July-August tourism season, it is almost inevitable that additional cancellations will happen.

The cruise ship industry will have a difficult 2020 season due to restrictions put in place to limit ships with more than 500 passengers from docking at Canadian ports until July 2020. This will decrease the number of scheduled visits to the Port of Charlottetown by 17 per cent. Provided the cruise season is able to go ahead after July 1st, it is likely ships will be less full than they would otherwise have been. Measures to protect right whales by lowering speeds in the Gulf of St. Lawrence could pose another additional challenge to the cruise industry in 2020.

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Agriculture, absent any weather-related issues, should contribute positively to the economy in 2020, especially as agreements surrounding temporary foreign workers appear to be resolved at the current time. Markets for shellfish products could be impacted due to restaurant closures, prompting questions on the viability of the spring lobster fishery. Fishers will also have to comply with gear marking, new for the fishery in 2020. However, investments made across the seafood industry through the Atlantic Fisheries Fund should continue. Continued investments in new technologies and automation will allow companies to continue to add value to, and develop, new products for export while striving to deal with the labour challenges facing this sector. Agricultural and seafood products designed for home consumption should continue to fare well in the current environment.

Island commodities continue to be in high demand. However, it is likely that businesses will face disruptions among the supply chain, from not having enough product to turn into value-added manufactured goods due to issues in other parts of the economy, to delays in receiving imported goods, and shipping off-Island in turn. The United States continues to be the largest destination of Island exports and the number one source of imports to the Island, and there has been considerable effort in the current circumstances to keep goods flowing across the border. However, as the number of COVID-19 cases continues to expand, the subsequent economic damage may limit the demand for Canadian exports in the short term. The cancellation of trade shows may have an impact on businesses' ability to make headway into new markets.

There remains considerable pressure in the residential property market on the Island. Property sales have been declining in line with lower inventory levels, while the average price of housing continues to increase, averaging over \$250,000 so far in 2020. Activity in this sector will be curtailed through the second quarter as it is challenging for individuals to buy and sell homes when they are unable to physically inspect the goods they are purchasing. However, housing, and the construction industry generally, will continue to be a major driver of underlying strength in the economy and will likely be a big part of the rebound, as pent-up demand will likely dissipate once conditions normalize, especially in the current low interest rate environment.

Government has made significant commitments with respect to the housing sector, though fulfilling these commitments may prove challenging under the initial timeframe due to social distancing requirements, however, the construction industry will continue to push forward in 2020. As a result of social distancing measures, those in the construction industry have been cautioned away from starting new builds, but there is a considerable amount of stock that has been started that is yet to be completed that can be finished. The result may be a decrease in housing starts in 2020 in favour of an increase in completions. Though the vacancy rate has improved to 1.2 per cent, it will need to increase further for the rental market to become more balanced, something that is unlikely to happen before 2021.

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The government announced an ambitious capital budget in the fall of 2019, increasing its capital spend from the already high levels previously announced. This commitment will continue to support non-residential investment when this type of activity can recommence. Several new projects were poised to begin in 2020, including the building of several schools, breaking ground on the new Hillsborough Hospital and the construction of a new wind farm. It is not clear at the moment when these projects will commence, but a late start will likely push a considerable amount of this activity forward into 2021.

# Private Sector Forecasts

Private sector forecasts issued at the end of 2019, and early into 2020, seem to finally have caught up to the economic momentum being generated on the Island due to the increase in population, and show PEI as among the provincial growth leaders over the medium term.

All of the forecasters have revised up (or kept constant) their 2019 forecast from the time of the Fall Economic Update, so that they now average 2.7 per cent, up 0.5 percentage points.

**Table 2**

<b>Private Sector Forecasts</b>				
	<b>Real GDP (% growth)</b>			
<b>Organization</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>Date Issued</b>
<b>Conference Board of Canada</b>	3.6%	3.1%	2.1%	February 2020
<b>TD Bank</b>	2.7%	0.8%	1.9%	March 2020
<b>RBC</b>	2.8%	-2.9%	3.3%	March 2020
<b>CIBC</b>	2.3%	1.2%	1.3%	February 2020
<b>BMO</b>	2.1%	-0.5%	2.2%	March 2020
<b>Scotiabank</b>	2.7%	-1.1%	3.8%	March 2020
<b>National Bank</b>	2.0%	2.4%	1.7%	March 2020
<b>Atlantic Province Economic Council</b>	3.0%	2.8%	--	November 2019
<b>Average</b>	<b>2.7%</b>	<b>-0.3%*</b>	<b>2.5%*</b>	

\*Average of March forecasts

Forecasts for 2020 have been materially revised down by those organizations which have updated their forecasts in light of the measures taken both provincially and nationally to counteract the COVID-19 pandemic. Of the forecasters which have adjusted their forecasts in March, the average of private sector forecasts for the province averaged -0.3 per cent.

As can still be seen in Table 2, as recently as February 2020, many forecasts for the Island were in the high two per cent to three per cent range. Growth is projected to see a strong rebound in 2021. Of the updated forecasts, growth is projected to average 2.5 per cent next year.

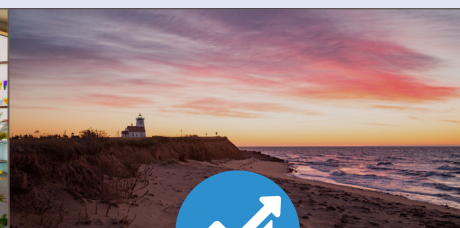
# Highlights of the Prince Edward Island Economy



- Prince Edward Island's July 1, 2019, population was estimated to be 156,947, an increase of 2.2 per cent over 2018, and the fastest growth in the country.
- The labour force continued to perform well in 2019.
- Employment grew by 2.6 per cent, second for growth amongst provinces, to reach 78,000.
- The unemployment rate declined 0.6 percentage points to 8.8 per cent, the lowest annual rate for PEI on record (since 1976).
- Average weekly earnings increased 2.9 per cent in 2019, while total labour income has increased 4.9 per cent through the third quarter.
- Consumer prices increased 1.2 per cent in 2019.



- Food and shelter inflation increased 3.6 and 0.6 per cent respectively, while energy inflation declined 3.8 per cent.
- Seasonally adjusted retail sales grew 3.6 per cent in 2019, the fastest growth amongst provinces.
- The value of new motor vehicle sales increased 11.2 per cent in 2019, while the volume of vehicles sold increased 4.9 per cent.
- Seasonally adjusted manufacturing shipments increased 18.1 per cent in 2019, the fastest growth amongst provinces. Shipments exceeded \$2 billion in value for the first time in that year.
- International exports increased 7.9 per cent in 2019, the second fastest growth amongst provinces.



- There were 1,504 housing starts in 2019, an increase of 38.1 per cent from 2018. Multi-units accounted for more than two thirds of housing starts in 2019.
- Total overnight stays on the Island through November are up 1.6 per cent
- Bridge and air traffic increased 2.5 and 3.4 per cent in 2019, while ferry traffic declined 1.8 per cent. Cruise ship visits increased 25.9 per cent in 2019.
- After difficult conditions experienced in 2018, through the first three quarters of 2019, farm cash receipts are up 14.6 per cent, due largely to increases in direct payments to farmers. Absent direct payments, farm cash receipts are up 5.4 per cent.
- Lobster landings and value reached new records at 42 million pounds and \$240 million.





# International Economic Situation and Context

According to the International Monetary Fund (IMF) the world economy was projected to have grown by 2.9 per cent in 2019. Advanced economies are projected to have grown by 1.7 per cent, while emerging market and developing economies grew by 3.7 per cent.

Real GDP growth in the United States increased 2.3 per cent in 2019, after advancing by 2.9 per cent in 2018. Increased positive contributions from personal consumption expenditures, non-residential fixed investment, federal, state and local government spending, and private inventory investments were partially offset by a negative contribution from residential fixed investment. Employment in the United States continued to advance, increasing by 1.4 per cent in 2019. The unemployment rate continued to decline further in the United States in 2019 falling by 0.2 percentage points from 3.9 per cent to 3.7 per cent.

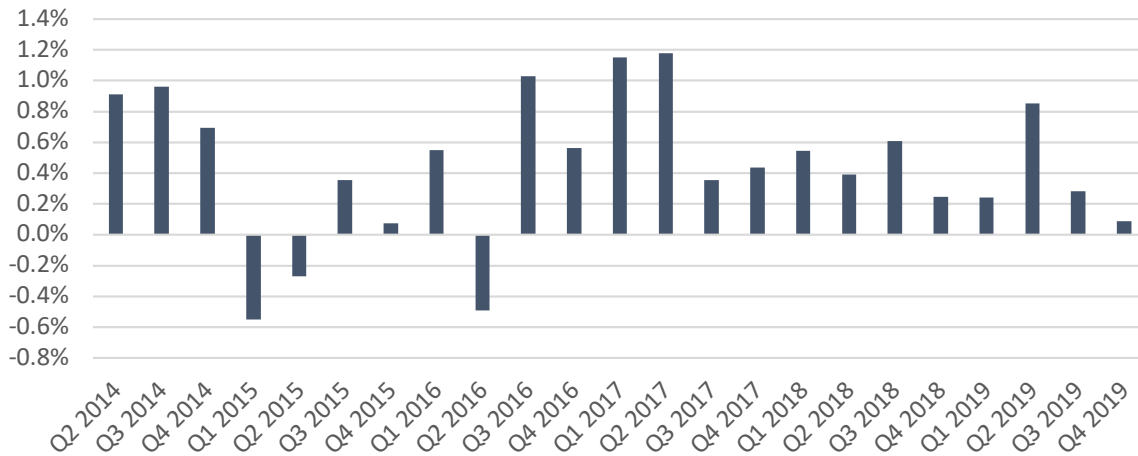


# National Economic Situation and Context

Growth in the Canadian economy slowed in 2019, to 1.6 per cent, from 2.0 per cent in 2018. As can be seen in Figure 1, growth peaked in the second quarter of the year before decelerating over the subsequent quarters. This slowdown in growth was largely attributed to weaker international

trade and investment declines. On an industry basis, growth was broad-based, with 16 of 20 sectors expanding. Services producing industries grew by 2.5 per cent, while goods producing industries declined by 0.9 per cent, the first decline since 2016.

Figure 2: Quarterly Change in Real GDP Canada



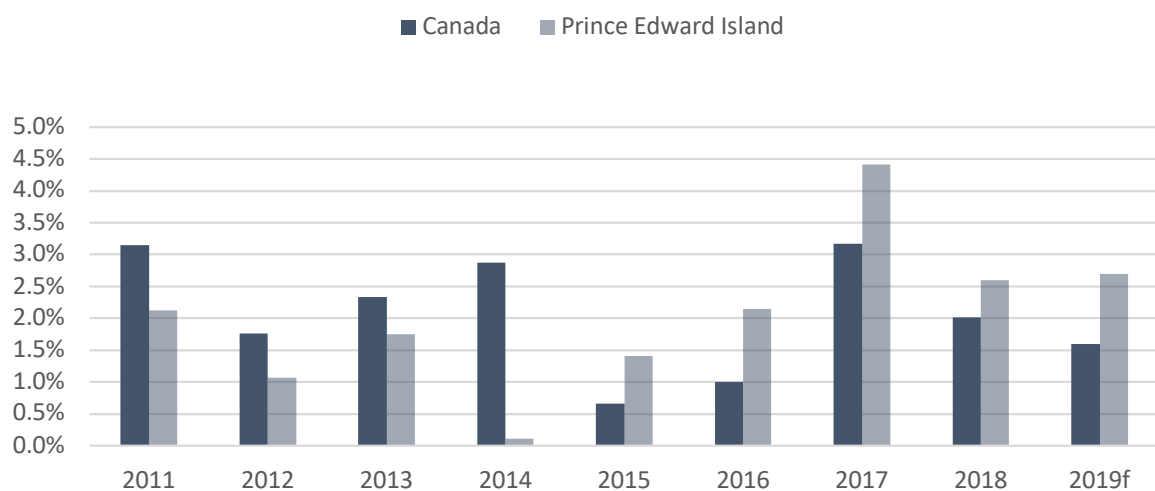
Source: Statistics Canada

## Provincial Economic Situation

After very strong growth of 2.6 per cent in 2018, GDP growth on the Island is projected to have accelerated to 2.7 per cent in 2019. Though growth is still being driven largely by increased population, strength was recorded across the

majority of economic indicators. As can be seen in Figure 2, Island GDP has outpaced the national average every year since 2015, and is on pace to do so again in 2019.

Figure 3: Growth in Gross Domestic Product Canada and PEI



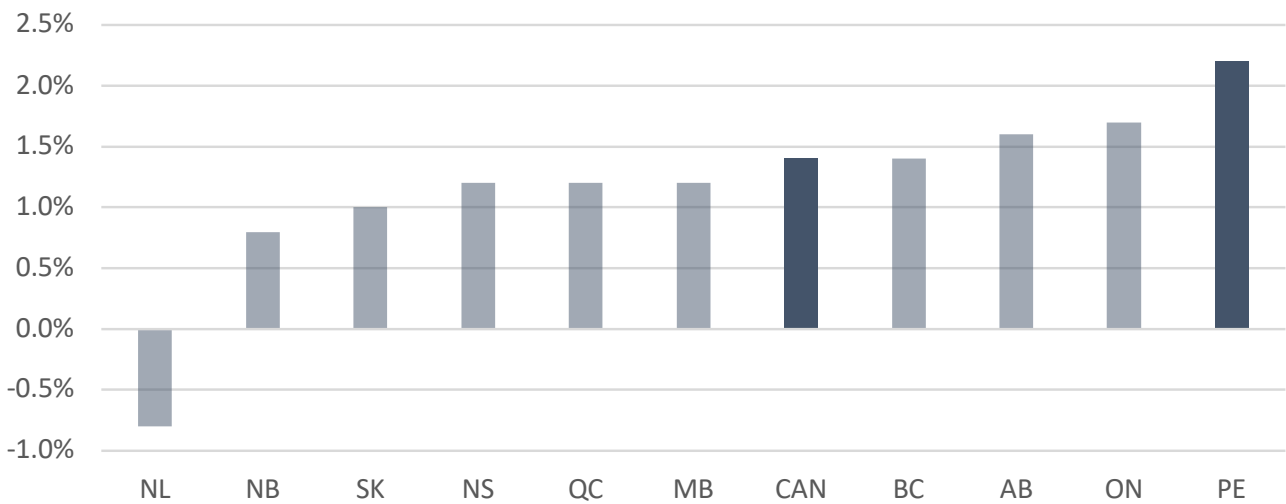
Source: Statistics Canada, PEI Department of Finance

# Population

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 (tied with Manitoba and B.C. in 2016, while Yukon Territory had higher growth rates in 2016, 2017 and 2018). Ontario and Alberta had the next highest growth rates at 1.7 per cent and 1.6 per cent respectively. The Island's population has been growing faster than the national average for the last four years, and has been growing at a rate of over two per cent for the past three years. Nationally, the population growth rate for 2019 was 1.4 per cent.

Immigration to the province continued to be the main source of population growth. Net international migration was estimated to be 3,235 persons in 2019. Between July 1, 2018 and June 30, 2019, Prince Edward Island had an estimated net interprovincial in-migration of 129 people (3,922 in-migrants less 3,793 out-migrants). This marks positive interprovincial migration for four consecutive years (2015-16 to 2018-19). The last time this occurred was from 2000-01 to 2003-04.

Figure 4: Population Growth Canada and the Provinces 2019



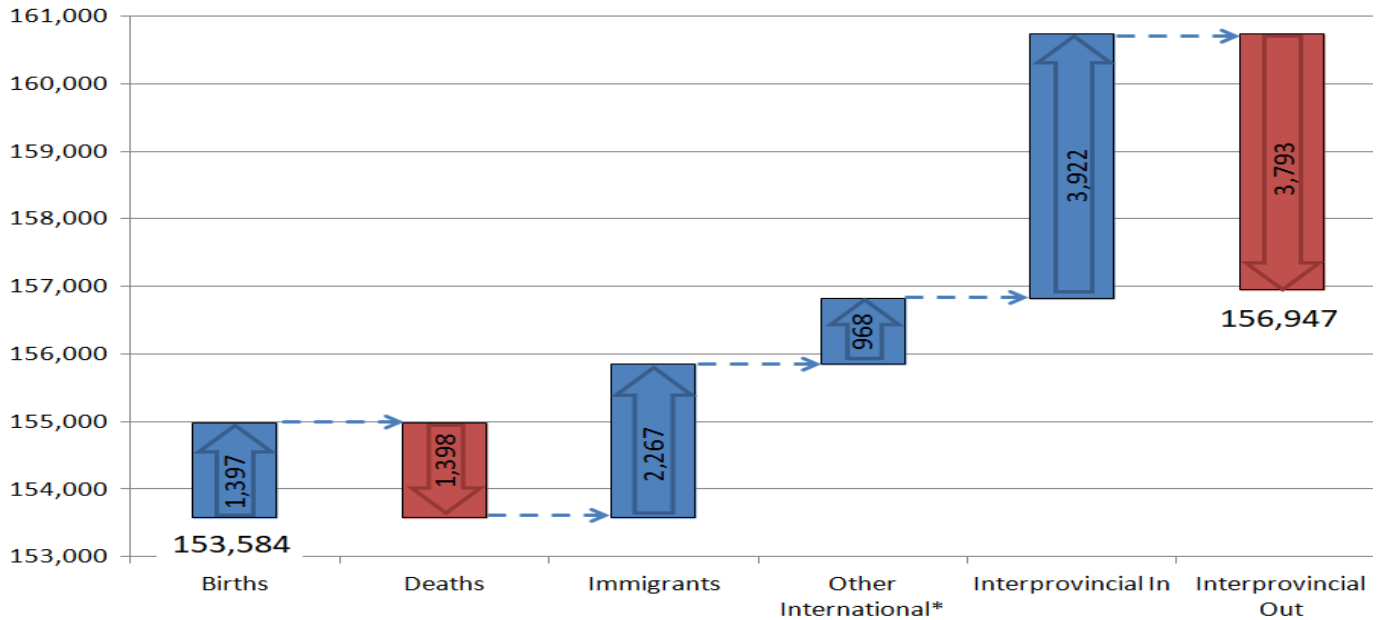
Source: Statistics Canada

There were 1,397 births and 1,398 deaths on Prince Edward Island from July 1, 2018 to June 30, 2019, for natural increase of minus 1. This is the first time deaths have outnumbered births for Prince Edward Island.

Compared to the other Atlantic Provinces, this first occurred in 2011-12 in Newfoundland and Labrador, in 2012-13 in Nova Scotia and in 2014-15 in New Brunswick. All other jurisdictions continue to have positive natural increase.

Figure 5

**Prince Edward Island Components of Growth  
July 1, 2018 - June 30, 2019**

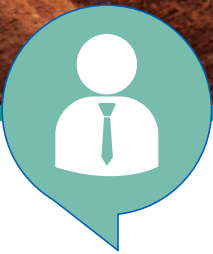


\*Other International = 1,019 Net Non-Permanant Residents - 104 Emigrants + 94 Returning Canadians - 41 Temporary Abroad

The median age continues to decline on the Island, down 0.3 years from 2018 to reach 43.2 years. This is the third decline in the median age in three years. The last time this happened was when the median age declined for five

consecutive years between 1963 and 1976. From its low in 1963, the median age on the Island has increased by 19.3 years.





# Employment

Prince Edward Island has benefitted from several strong years of labour market growth. This trend continued in 2019. The labour force reached an all-time high of 85,500 in 2019, an increase of 1.9 per cent from 2018. Employment on the Island also reached an all-time high of 78,000 in 2019.

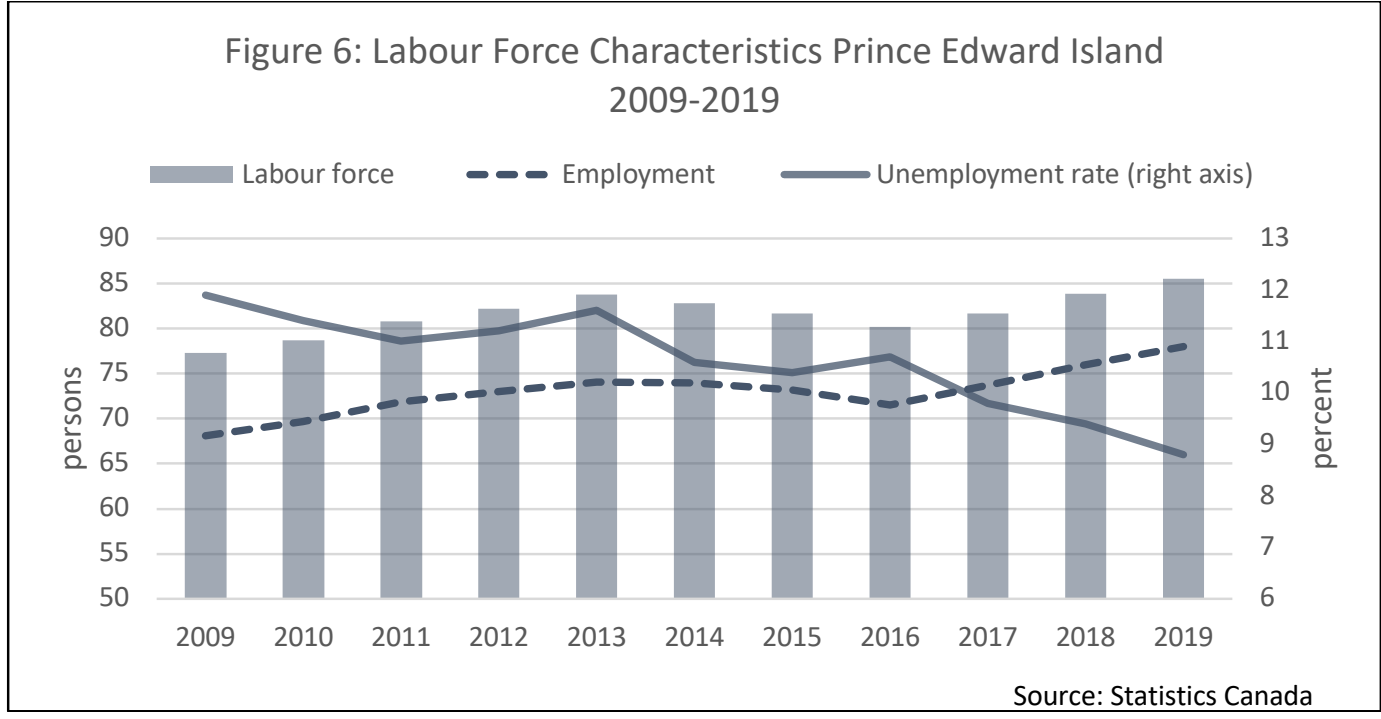
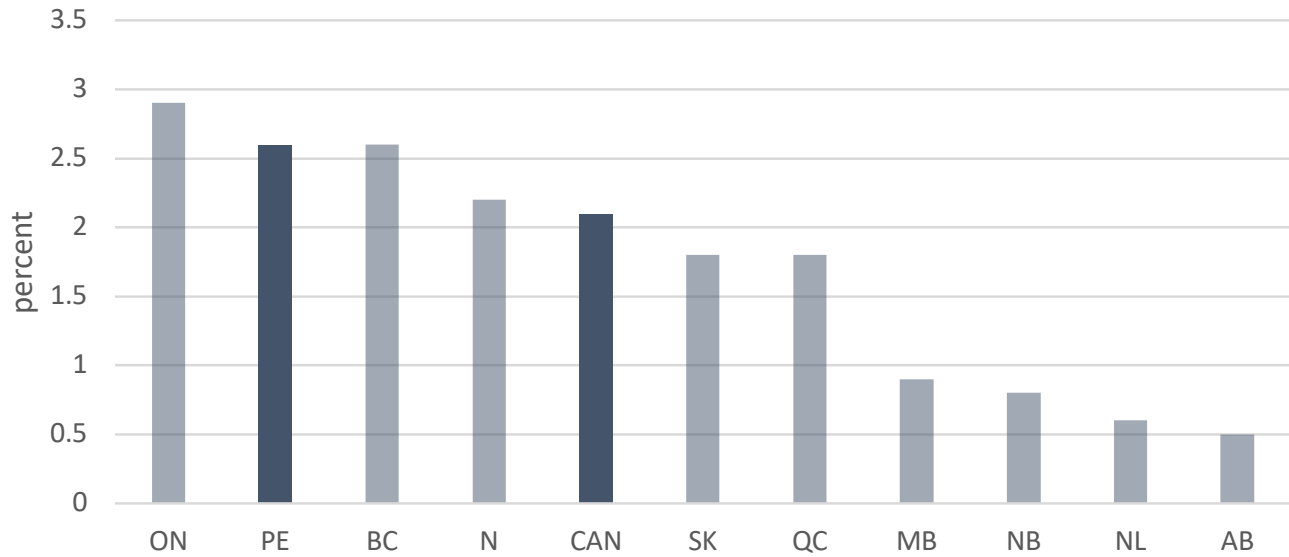


Figure 7: Employment Growth Canada and the Provinces 2019



Source: Statistics Canada

Employment growth, at 2.6 per cent, was the second fastest amongst the provinces. Employment increased in both urban and rural parts of the province, with employment in rural areas increasing by 1.0 per cent, and employment in urban areas increasing by 3.6 per cent. All provinces saw growth in employment in 2019. Growth ranged from a high of 2.9 per cent in Ontario, to a low of 0.5 per cent in Alberta.

There were more people in full-time employment on the Island than ever before in 2019. The increase in full-time employment accounted for almost all of the increase in employment in 2019. Part time employment also increased

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over this time period, up 0.8 per cent. PEI had the third highest percentage of full-time work in Canada in 2019, behind Newfoundland and Labrador and New Brunswick.

Unemployment continued to decline in 2019, down 400 people to 7,500. The unemployment rate decreased by 0.6 percentage points in 2019 to reach 8.8 per cent, the lowest level since 1975.

**Employment on Prince Edward Island has reached an all time high of 78,000 in 2019.**

An increase of 2.6% over 2018.

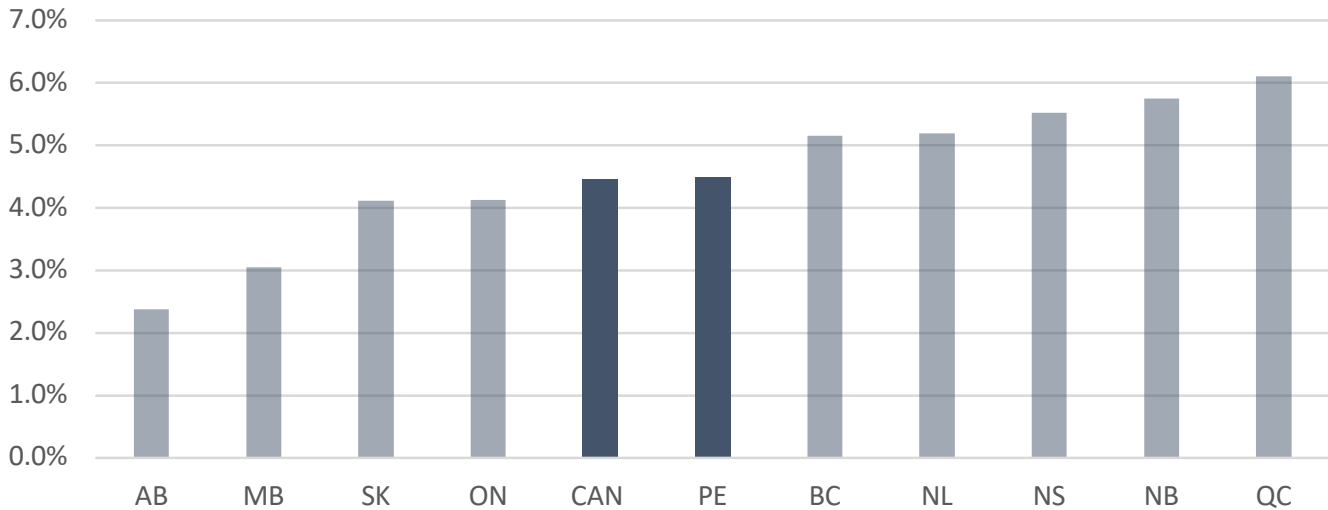
On an industry basis, employment was recorded in both the goods producing and service producing sectors of the economy. The goods producing sector saw its third straight year of employment growth, and reached an all-time high of 19,700 people. A large part of this increase has to do with increased employment in the construction sector, which increased 10.3 per cent in 2019. Agriculture also saw solid growth in 2019, up 5.0 per cent or 200 people. Declines were recorded in other primary services, down 14.8 per cent, or 400 people, and manufacturing, down 4.4 per cent or 300 people.

The services sector also saw an all-time high in employment, growing by 1,600 people to reach 58,200.

Notable gains were recorded in public administration and health care and social assistance, while notable declines were recorded in information, culture and recreation and accommodation and food services.

According to the Survey of Employment, Payroll and Hours (SEPH), the number of jobs on the Island increased 3.4 per cent in 2019, the fastest growth amongst provinces. Jobs in the goods producing industries increased 3.7 per cent, while jobs in the service producing industries increased 3.3 per cent. Nationally, SEPH employment grew by 2.1 per cent in 2019.

Figure 8: Growth in the Compensation of Employees  
Canada and the Provinces 2019



Source: Statistics Canada

The compensation of employees continued to grow on Prince Edward Island in 2019, up 4.5 per cent. Growth in the compensation of employees ranged from a high of 6.1 per cent in Quebec, to a low of 2.4 per cent in Alberta.

Despite having the largest gains in employment, Prince Edward Island had the lowest growth in the compensation of employees in the Atlantic region. Nationally, the growth in the compensation of employees was 4.4 per cent in 2019.

## Consumer Prices

The overall growth in consumer prices remained muted in 2019, with inflation increasing by 1.2 per cent. Prices for energy declined by 3.8 per cent in 2019, while prices for food and shelter increased by 3.6 and 0.6 per cent respectively. Continuing a trend seen in recent years, energy prices are continuing to decline on the Island, with the price of gasoline and fuel oil down 5.3 per cent and 1.8 per cent

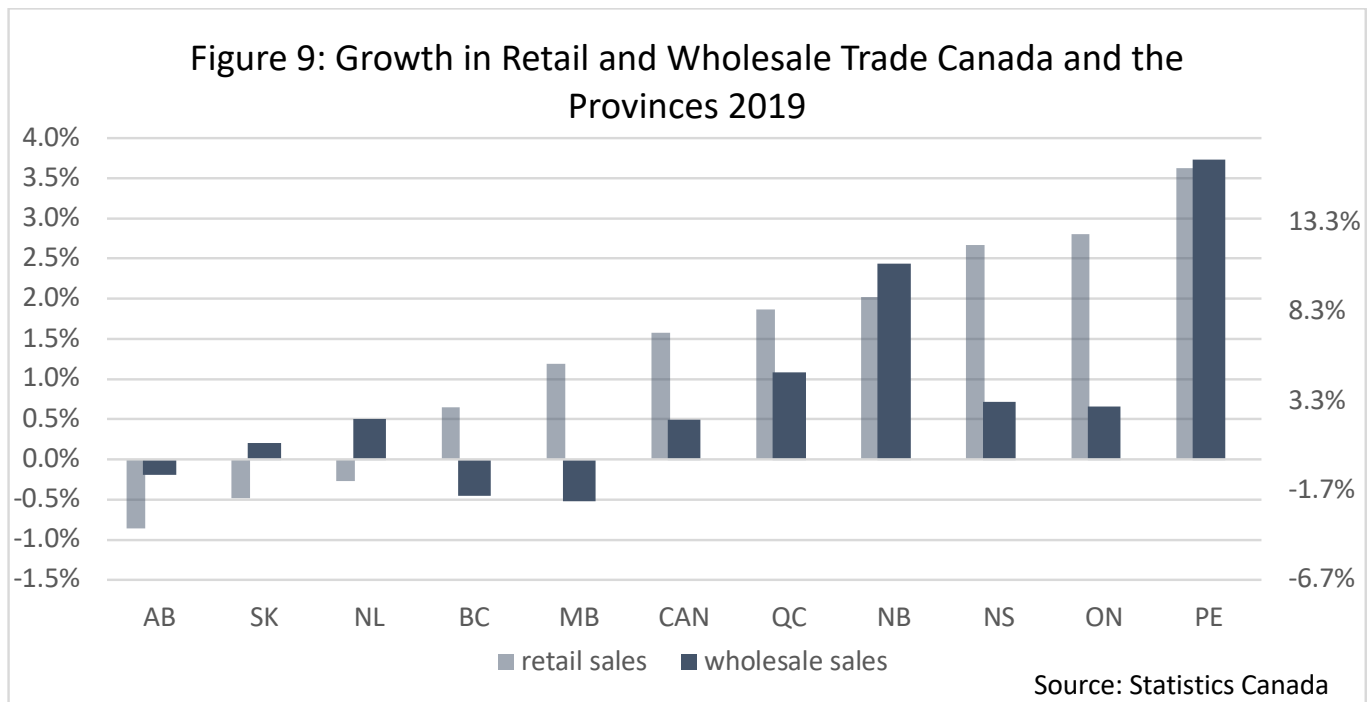
respectively. As energy commodities have a larger basket weight in PEI's CPI, this downward price trend helps to mute inflation on the Island. Core inflation, the measure of inflation on the Island excluding volatile commodities such as food and energy increased by 1.4 per cent in 2019. Nationally, inflation increased by 1.9 per cent over this time period.

## Retail/Wholesale Trade and Motor Vehicle Sales

Retail sales increased by 3.6 per cent in 2019, the fastest growth amongst provinces. Retail sales exceeded \$2.5 billion in 2019, a new all-time high. Nationally, retail sales increased 1.6 per cent over this time period.

On the Island, notable gains in retail trade in 2019 came from motor vehicle and parts dealers, up 5.0 per cent, building material, garden equipment and supplies, up 7.3 per cent, and food and beverage stores, up 2.7 per cent. Notable declines came from electronics and appliance stores, down 13.2 per cent, and gasoline stations, down 1.1 per cent.

The volume of new motor vehicle sales increased by 4.9 per cent in 2019, while the value of those vehicles increased by 11.2 per cent. Continuing a trend observed in recent years, the volume of trucks purchased over this time period increased by 10.4 per cent, while the volume of passenger cars decreased by 7.5 per cent. On the Island, 73 per cent of new vehicle purchases were trucks, up 4 percentage points from 2018. Nationally, the volume of new motor vehicle sales decreased by 3.7 per cent, while the value of those vehicles decreased 0.6 per cent.



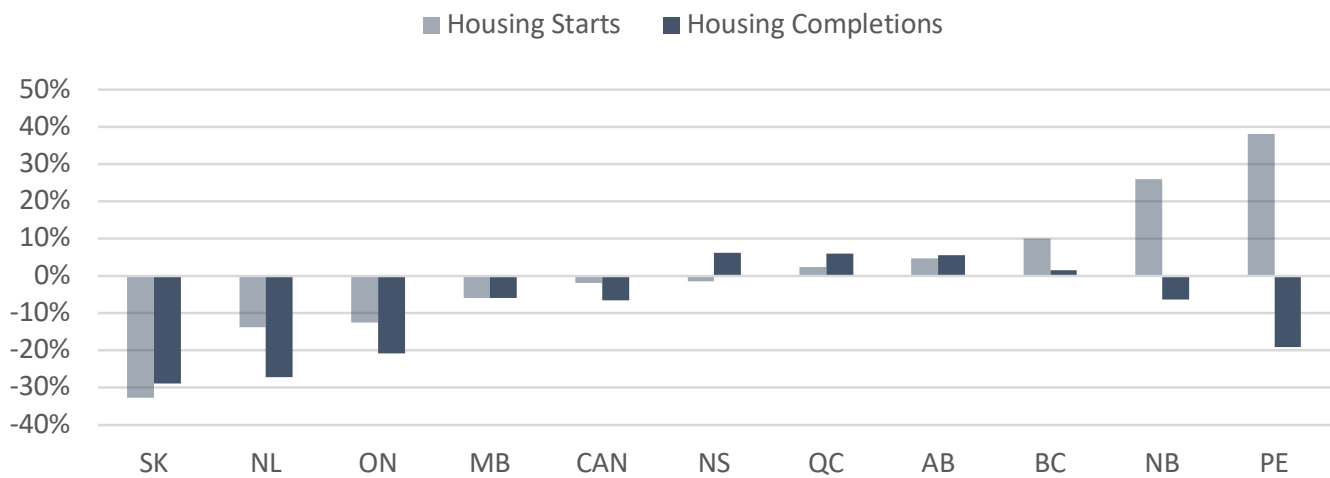
Continuing in a series of very strong results, wholesale trade again expanded by double digits in 2019. Growth ranged from a high of 16.8 per cent on the Island to a decline of 0.8 per cent in Alberta. Nationally, wholesale trade increase 2.3 per cent over this time period.





# Housing

Figure 10: Growth in Housing Starts and Completions  
Canada and the Provinces 2019



Source: Canada Housing and Mortgage Corporation

## The construction and housing sectors continue to play an important role on the Island.

Owing to the continued strong population growth on the Island, demand for housing continues to be robust, as can be seen in the significant increase in building. Resale market inventories remain low and prices continue to escalate, a feature that will continue until new housing construction catches up to the pace of housing demand. Non-residential construction is also moving ahead as projects are completed and new productive capacity is added to the Island economy.

The total value of building permits increased 23.4 per cent in 2019. Permits increased in for both residential and non-residential building, up 33 per cent and 7.2 per cent respectively. Residential building was dominated by growth in the multi-unit segment, up 65.5 per cent, while the single family segment grew by 16.6 per cent.

On the non-residential side, an 86.2 per cent increase in industrial building was more than enough to outweigh declines of 29.6 per cent and 33 per cent in commercial and government and institutional building respectively. Nationally, the total value of building permits increased by 2.7 per cent. A 9.5 per cent increase in non-residential building was more than enough to offset a decline of 1.3 per cent in residential building.

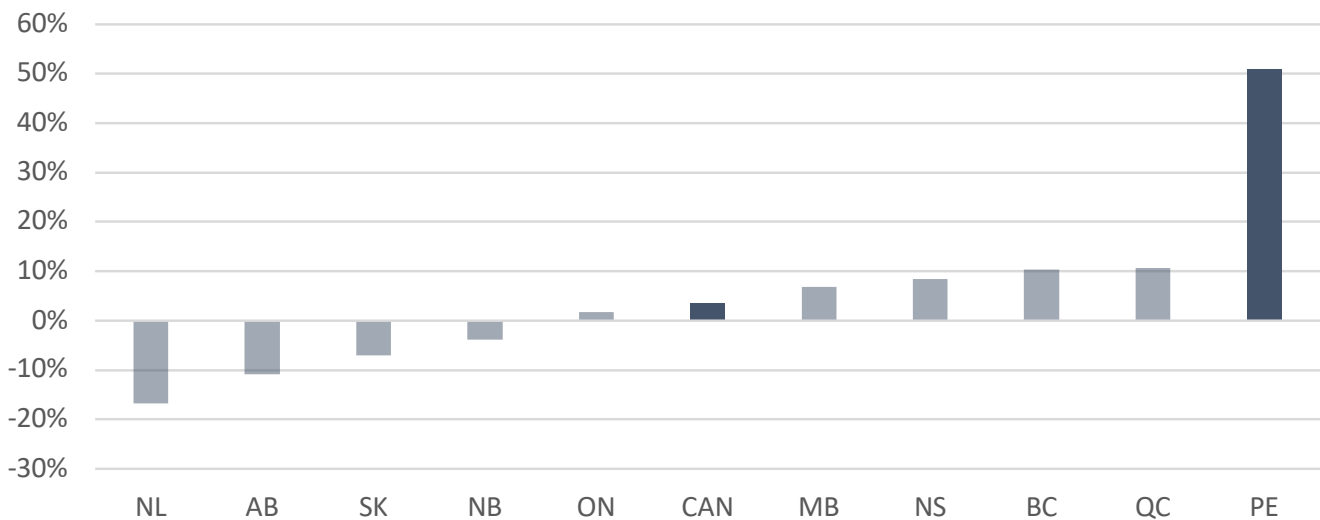
There were 1,504 new housing starts on the Island in 2019, an increase of 38.1 per cent, and the fastest growth amongst provinces. Due to robust population growth, and continuing low vacancy rates, new construction has been dominated by the multi-unit segment. Multi-unit building increased by 94.3 per cent to 1,024 units, while single detached starts declined 14.6 per cent to 480 units. Nationally, housing starts declined 2.0 per cent over this timeframe.

Though the number of housing starts has increased significantly over 2018, the number of completions declined compared to one year ago, down 19.2 per cent to 768 units. Lower completions were recorded in both the single family segment, down 14.4 per cent, and the multi-unit segments, down 24.3 per cent over this time period. Nationally, housing completions fell 7.0 per cent in 2019.

According to the PEI Real Estate Association, home sales on the Island totaled 1,914 units in 2019, a decrease of 7.3 per cent from 2018. This decline in sales is not a result of a lack of demand for housing, but instead reflects the dwindling supply, with inventory levels being approximately half of their long-run average. Housing prices continued to increase on the Island in 2019, with the average price of a home costing \$238,500, an increase of 12.4 per cent from 2018.

The value of building construction increased by 50.9 per cent in 2019 to reach \$485.2 million, the fastest growth amongst provinces. Residential investment increased 57.4 per cent in 2019, with increases of 38.4 per cent for single detached homes, and 162.7 per cent for multi-unit builds. Nationally, residential investment increased 2.3 per cent in 2019. Non-residential investment on the Island increased 30.2 per cent in 2019. Gains were recorded in industrial construction, up 102.9 per cent, and in commercial building, up 2.8 per cent, while government and institutional building declined 4.6 per cent in 2019. Nationally, non-residential construction increased 6.0 per cent in 2019.

Figure 11: Growth in Investment in Building Construction  
Canada and the Provinces 2019



Source: Statistics Canada



# Primary Industries

## Agriculture

After a difficult year in 2018, agricultural production improved in 2019. Through the third quarter of 2019, farm cash receipts have increased by 14.6 per cent. Crop receipts are up 6.9 per cent, with potato receipts up 0.3 per cent over this time period. Livestock receipts are up 2.4 per cent, with increases in cattle, hogs and dairy. Direct payments to farmers are up 226 per cent over this time period, due to an increase in crop insurance payments to farmers. Absent direct payments, farm cash receipts increased 5.4 per cent through three quarters.

Prices for agricultural commodities were largely positive on the Island in 2019. Prices for potatoes were up 12 per cent; soybeans, barley and oats showed improvement. Livestock prices also showed improvement as both feeding and slaughter cattle were up 22.8 per cent and 0.4 per cent. Hog

prices were up 7.0 per cent. Price growth was also seen in the supply managed industries, with the prices for chickens, milk and eggs up 2.7 per cent, 5.5 per cent and 5.4 per cent respectively.

Though the seeded area for potatoes decreased by 0.6 per cent in 2019, the area harvested increased by 6.1 per cent to total 84,000 acres in 2019. The large increase between years was as a result of the very wet conditions that impacted the 2018 harvest, resulting in a significant amount of product left in the field. The average yield per acre also increased to 300 hundredweight per acre, and production increased by 11.5 per cent, to more average levels. Prince Edward Island continues to be the largest potato producing region in the country.

## Fishing

The 2019 fishing season was strong across the board, with good catches and improved prices in both the spring and fall season. Preliminary estimates by the PEI Department of Fisheries and Communities indicate new records for lobster landings and value were set in 2019. Lobster landings totaled just over 42 million pounds and the estimated

landed value of the catch was \$240 million. The mussel industry produced approximately 45 million pounds of mussels worth an estimated \$30 million, while the oyster industry provided 9 million pounds of oysters worth an estimated \$14 million.



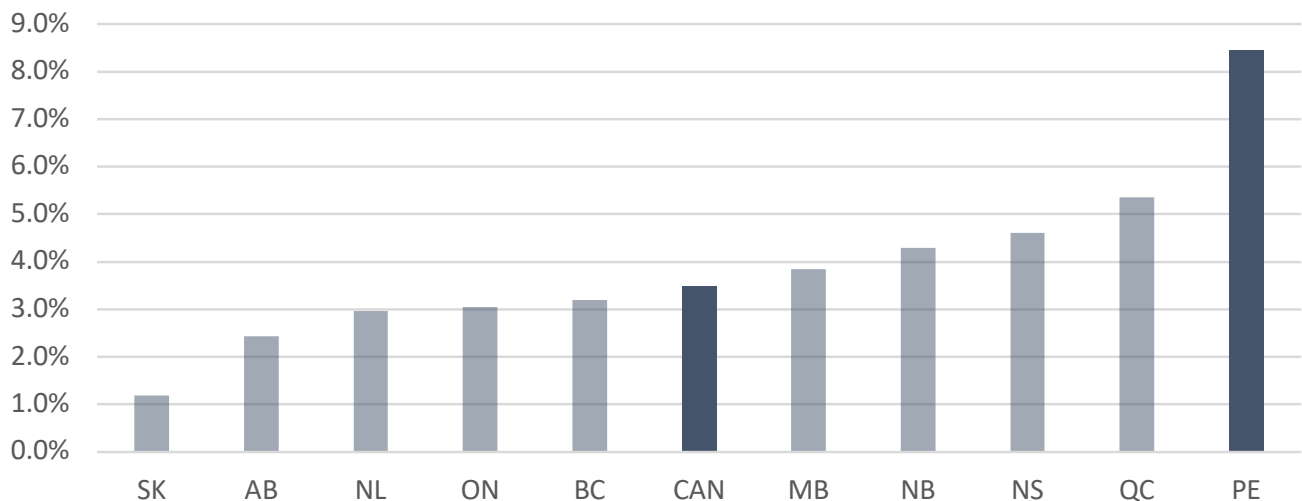
# Tourism

The tourism sector had another successful year in 2019. The department of Economic Growth, Tourism and Culture estimates that approximately 1.6 million people visited the Island in 2019 and generated over \$500 million in tourism revenue. New traffic records were set on the Confederation Bridge, Charlottetown Airport and the Charlottetown Port with increases of 2.5 per cent, 3.4 per cent and 29.5 per cent respectively. Ferry traffic was down 1.8 per cent in 2019 due in part to mechanical issues as well as the impact of post tropical storm Dorian. Motorcoach traffic also declined by 9.2 per cent.

Total overnight stays on the Island again surpassed 1 million, and surpassed the previous overnight stays record set in 2017. Visits to the PEI National Park increased by 14.1 per cent, while visits to Green Gables increased by 6.4 per cent. Visits to provincial heritage sites increased by 12 per cent, with increases recorded at all sites.

Sales at food services and drinking places increased 8.4 per cent in 2019, the fastest growth amongst provinces. Growth was strong in both full-service, up 7.5 per cent, and limited service establishments, up 9.2 per cent, on the Island. Together, these two categories accounted for 97 per cent of sales at food services and drinking places on the Island in 2019. Sales increased in all provinces in 2019. Nationally, sales increased 3.5 per cent over this time period.

Figure 12: Growth in Food Service and Drinking Places  
Canada and the Provinces



Source: Statistics Canada

# Manufacturing Shipments and Exports

Manufacturing shipments increased 18.1 per cent in 2019, the fastest growth amongst provinces. Increases were recorded in both durable goods manufacturing, up 25.8 per cent, and non-durable goods manufacturing, up 14.2 per cent. Non-durable goods account for approximately 2/3rds of manufacturing shipments, while durable goods were responsible for the final third. Shipments were valued at \$2.3 billion in 2019. Manufacturing accounts for just over 10 per cent of provincial GDP. Nationally, shipments increased 0.5 per cent over this time period.

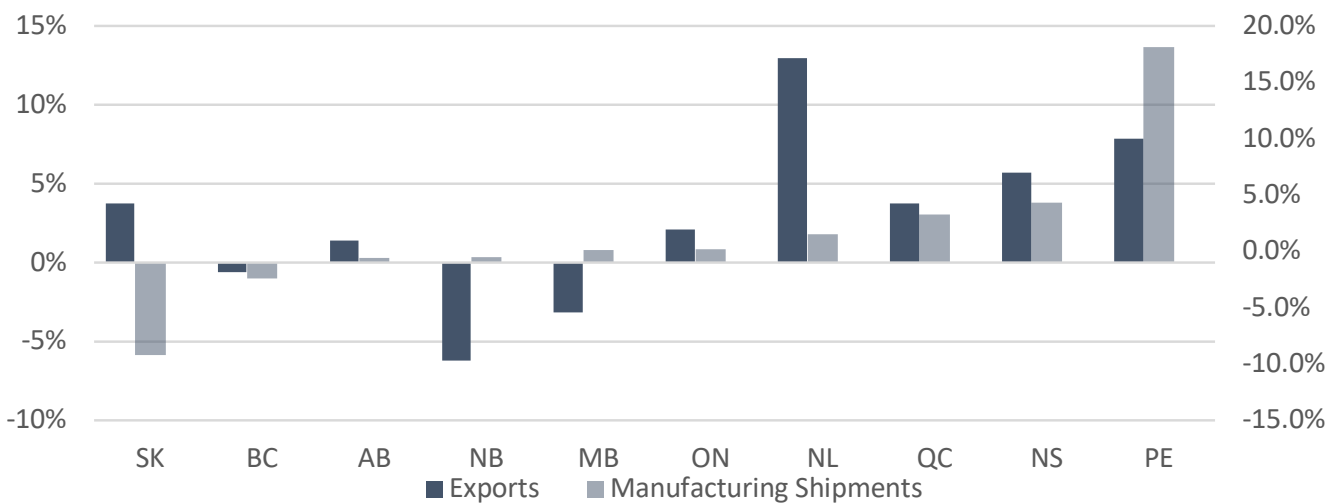
Exports finished the year up 7.9 per cent, the second fastest growth amongst provinces. Total exports from the Island were valued at \$1.5 billion in 2019. Growth in exports ranged from a high of 13 per cent in Newfoundland and Labrador to a decline of 6.2 per cent in British Columbia. Nationally, exports increased 1.1 per cent over this time period.

Frozen food manufacturing continued to be PEI's largest export industry, valued at \$355 million in 2019, and up 2.8 per cent from 2018, followed by seafood product preparation and packaging, up 28.5 per cent in 2019.

*Exports finished the year up 7.9 per cent, the second fastest growth amongst provinces.*

Aerospace, after a string of strong growth years, recorded declines of 21 per cent in aerospace products and parts manufacturing, and of 32.9 per cent in engine, turbine and power transmission equipment manufacturing. Pharmaceuticals and chemicals had a mixed year, with pharmaceutical and medical manufacturing up 58.7 per cent to \$91.5 million, while chemical manufacturing declined 5.1 per cent.

Figure 13: Growth in Manufacturing Shipments and Exports by Province 2019

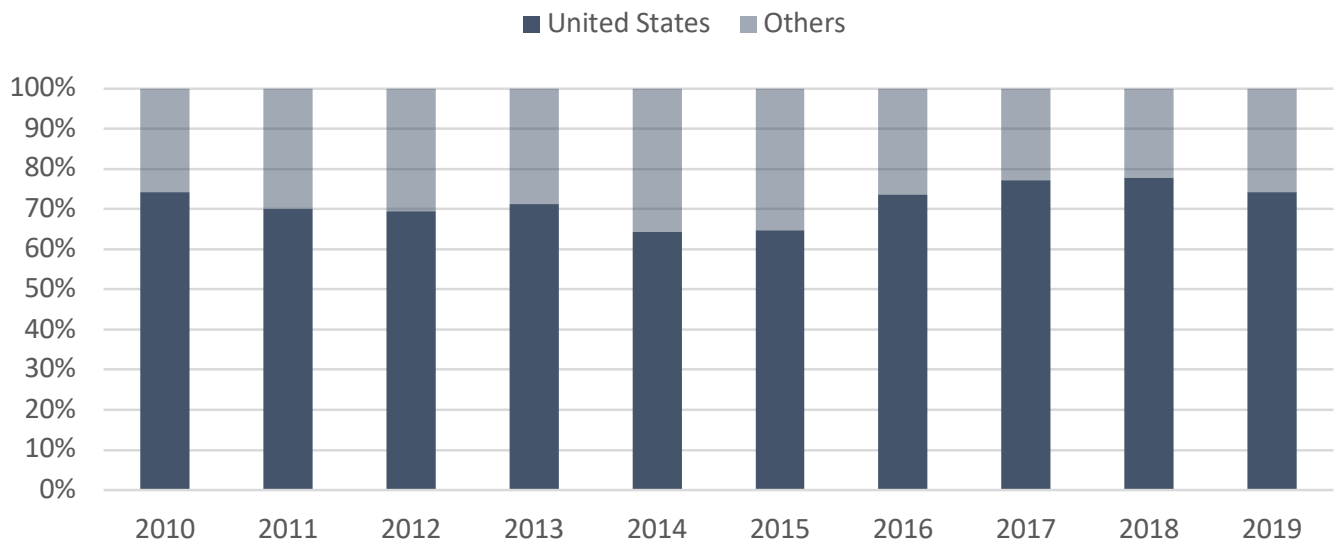


Source: Statistics Canada, Industry Canada

The United States was the destination of 74.3 per cent of the Island's exports in 2019. This is a decline of 3.5 percentage points from 2018. Though the value of goods exported to the United States increased in 2019 by 2.9 per cent, the value of goods shipped to countries other than the United States increased by 25.2 per cent.

Belgium, Australia, Singapore and China constitute the rest of the Island's top five export destinations in 2019. Together, these countries accounted for 8.2 per cent of the Island's exports.

Figure 14: PEI Total Exports 2010-2019



Source: Industry Canada





# Prince Edward Island 2020 Provincial Economic Update