

Still chugging along

We project growth on Prince Edward Island to remain quite steady in 2016 as the province’s vibrant export and construction sectors continue to be powerful economic engines generating forward momentum. We expect strength in these sectors increasingly to flow through to the labour market, thereby prompting renewed hiring and helping reverse some of the job losses of the past two years. Our forecast is for real GDP to expand by 1.7% in 2015 and 1.6% in 2016 before slowing slightly to 1.3% in 2017.

Surging exports continue drive growth

After topping \$1 billion for the first time in 2014, Prince Edward Island’s merchandise exports are on track for another record year in 2015, thanks in large part to soaring shipments of food products to the United States (showing an impressive 19% year-to-date gain). Despite aerospace exports falling in the first nine months of 2015, overall exports of non-food manufactured products are also on track for strong gains in 2015 and no doubt are contributing to a 9% gain in manufacturing employment in 2015. Looking ahead, we believe that the export boom in manufacturing has further room to grow, as new investments in the aerospace sector and a low Canadian dollar provide a tailwind to the industry. The weaker exchange rate may also be enticing more tourists to come to Prince Edward Island where increased numbers of US and international visitors drove growth in overnight stays in 2015.

Job market to start turning around in 2016

Labour market conditions on Prince Edward Island remained disappointingly weak in 2015 and a second consecutive year of job losses is looming. Despite slack in the labour market, workers saw robust growth in average hourly wages, and in response, Islanders have opened their wallets: retail sales (exclusive of gasoline) have seen strong growth, particularly in big-ticket purchases like motor vehicles (up 8.4% year to date) and furniture and home furnishings (up 8.9%). Going forward, continued export strength should help restart job creation in the province, and rising consumer spending should support the service sector; however, weak demographic trends will be an impediment. The working-age population of Prince Edward Island declined in 2015, and similar declines are expected going forward as the population ages. While there has been a recent uptick in international immigration to Prince Edward Island, it was offset by a rise in interprovincial outmigration, which underscores the province’s demographic challenges.

Upside from construction in the near term

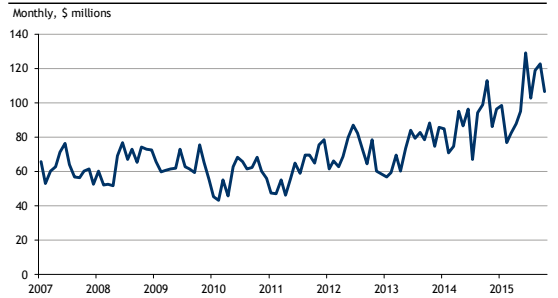
After a slow start to 2015, residential investment and housing starts picked up later in the year with positive implications for the construction industry going into 2016. Further upside exists for the construction industry in late 2016 and into 2017 if work begins on the multi-million Northumberland Strait Power Cable project, which would allow the island to export its wind-generated power. The project, which has received pledges of government funding, would help compensate for a frugal five-year capital plan from the provincial government, which projects lower capital spending in each year until fiscal 2019–20.

Prince Edward Island : Employment



Source: Statistics Canada, RBC Economics Research

Prince Edward Island : Merchandise exports



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated						
	2012	2013	2014	2015F	2016F	2017F
Real GDP	1.2	2.0	1.5	1.7	1.6	1.3
Nominal GDP	2.7	3.8	3.8	3.5	3.1	3.3
Employment	1.7	1.4	-0.1	-0.7	0.5	0.4
Unemployment rate (%)	11.1	11.5	10.6	10.5	9.9	9.6
Retail sales	3.2	0.8	3.3	2.4	3.2	2.3
Housing starts (units)	941	636	511	620	630	800
Consumer price index	2.0	2.0	1.6	-0.5	2.2	2.1

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