

PRINCE EDWARD ISLAND



- The average of private sector forecasts puts provincial GDP growth in 2015 at 1.2 per cent. Growth is expected in the range of 1.4 per cent in 2016 and 1.4 per cent in 2017.
- Employment has averaged 73,200 in 2015, a decrease of 1.1 per cent from 2014. The unemployment

by 0.7 per cent in the goods producing sector, led by declines in other primary industries (which includes the oil and gas sector), and agriculture. Unemployment in Canada was unchanged at 6.9 per cent in 2015.

Provincial Economic Context

The Prince Edward Island economy has shown resiliency in light of the national and international context of the last number of years. The province has posted solid economic growth over the past decade. Private sector GDP forecasts see modest growth continuing on the Island, with average real GDP projected at 1.2 per cent in 2015, 1.4 per cent in 2016 and 1.4 per cent in 2017.

Employment

The labour force on the Island contracted 1.3 per cent in 2015 to average 81,700 people. Prince

Edward Island’s core-aged working population (those aged 15-64), peaked in 2012 at 97,200 people. In 2015 this had declined to 95,100 people, a decline of 0.7 per cent from 2014, and a 2.2 per cent decline from the peak. The participation rate has averaged 67.6 per cent, down 1.1 percentage points from 2014. Even with this decline in the participation rate, Prince Edward Island continued to have the fourth highest participation rate amongst provinces behind Alberta, Saskatchewan and Manitoba over this period. The unemployment rate averaged 10.4 per cent in 2015, down 0.2 percentage points from one year ago.

According to the Labour Force Survey (LFS), employment on Prince Edward Island averaged 73,200 in 2015, a decrease of 1.1 per cent from 2014, and the largest decline in employment growth amongst provinces. Employment growth was strongest in Manitoba, British Columbia and

Table1:

	2014	2015	percentage change	total change

Alberta, while the majority of Atlantic Canada saw employment declines in 2015. Full-time employment on the Island contracted 2.1 per cent in 2015, while part-time employment grew by 4.2 per cent.

On an industry basis on the Island, employment in the goods sector declined 4.4 per cent in 2015. Gains in manufacturing were not enough to offset losses in agriculture, other primary industries, and construction. Manufacturing has taken over as the largest employer in the goods producing sector, with employment averaging 6,000 in 2015.

Employment in the service sector declined 0.4 per cent in 2015. Notable gains occurred in accommodation and food services, public administration, and finance insurance and real estate while notable declines occurred in health services, transportation and warehousing and educational services. The largest employer in the services sector is wholesale/retail trade accounting for 11,000 people in 2015. See Table 1 for more details.

Average weekly earnings expanded 3.5 per cent on Prince Edward Island in 2015, the fastest growth in the country. As can be seen in Figure 2, average weekly earnings grew in all provinces in 2015, except for Alberta. Average weekly earnings on the Island grew 2.7 per cent in the service sector, led by a 6.7 per cent gain in professional

Building Permits

The total value of building permits declined 0.2 per cent in 2015. As can be seen in Figure 4, building permits peaked in 2012, and have been declining every year since. Residential permits decreased 2.4 per cent, while non-residential permits grew by 3.2 per cent as a result of a 102.5 per cent increase in government and institutional permits, and a 16 per cent increase in industrial permits. Commercial permits declined 24.5 per cent in 2015. Nationally, total building permits grew by 0.2 per cent as a 4.6 per cent increase in residential permits offset a 6.3 per cent decline in non-residential permits.

Housing Starts

After declining in both 2013 and

Non-residential Investment

The total value of non-residential investment on Prince Edward Island contracted 29.1 per cent in 2015, the largest decline amongst provinces. All segments of non-residential investment declined, with commercial declining by 20.7 per cent, institutional and governmental declining by 32.2 per cent and industrial declining

Engine, turbine and power transmission equipment manufacturing grew by 1.6 per cent and accounted for 6.6 per cent of exports, while aerospace products and parts manufacturing grew by 13 per cent and represented 6.5 per cent of exports in 2015. Vegetable and melon farming grew by 9.5 per cent, while pharmaceutical and medicine manufacturing and other basic organic chemical manufacturing grew by 16.8 and 1.8 per cent respectively. Electrical equipment manufacturing grew by 892 per

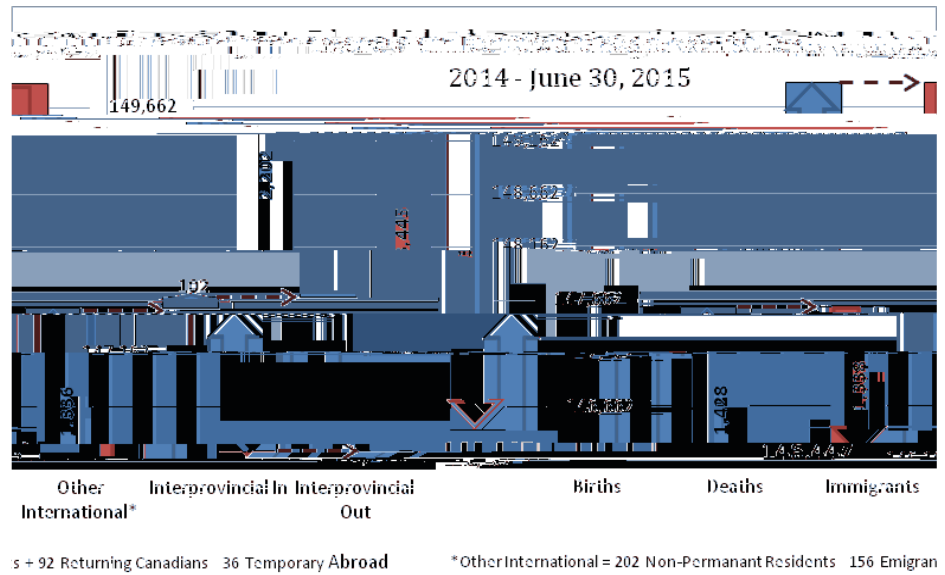
located in the Pacific. Eighty-four per cent of the Island's trade by value occurs with these top ten countries. Increased access to markets in Europe and among the Trans Pacific countries could allow future growth in trade. Figure 7, shows PEI's top ten export destinations in 2015.

As of July 1, 2015, Prince Edward Island's population is estimated to be 146,447. This represents a yearly increase of 285 persons or a 0.2 per cent annual growth rate, the fastest growth in the Atlantic region. International migration remains an important factor in population growth for PEI. After an increase of 62.2 per cent in 2013-14 international immigration declined by 4.6 per cent. From July 2014 to June 2015, 1,336 international immigrants came to the province, as compared to 1,400 the previous year. At a rate of 9.1 per thousand, the province had the fourth highest immigration rate in the country behind Manitoba, Saskatchewan and Alberta. The immigration rate for Canada was 6.7 per thousand.

A total of 2,202 inter-provincial migrants came to PEI in 2014-15, while 3,445 people left the province for other areas of Canada for a net interprovincial loss of 1,243 persons. There were 1,428 births and 1,338 deaths on Prince Edward Island from July 1, 2014 to June 30, 2015, resulting in natural growth (births minus deaths) of 90. This is the lowest natural increase for PEI on record. Figure 8 illustrates the different population flows for Prince Edward Island.

The population for Canada as of July 1, 2015 is estimated to be 35,851,774, an increase of 308,116 persons or 0.9 per cent over July 1, 2014. For the first time in Canada, the number of persons aged 65 and over exceeded the number of children aged 0 to 14.

The outlook for global growth for 2016 is muted. In its January update, the IMF lowered its world economic growth projections for 2016 and 2017 by 0.2 percentage points each to 3.4 and 3.6 per cent respectively. Though expansion seems firmly rooted in the United States, growth in the rest of the world is being constrained by recessions in emerging economies, the rebalancing of



the Chinese economy, and the lower value of the price of oil and other commodities on the countries that are exporters. Growth in the national economy continues to be revised down, with several forecasters predicting that growth in the Canadian economy in 2016 will be close to 1 per cent. Consequently, this has led to a situation in which lower growth will persist for longer than originally forecast, internationally, nationally and on Prince Edward Island.

Demographic pressures will continue to impact the labour force in 2016 as the core-aged working population is projected continue to shrink. The Island population, however, is projected to keep growing, and this growth will largely be driven by immigration. Presently PEI expects to receive approximately 1,250 immigrants this year, with that number growing to approximately 1,500 people by 2017. This higher level of people will continue to support domestic demand on the Island. Also supporting domestic demand on the Island going forward are the increases in transfers to persons announced in the 2016 Federal Budget. Notably, the new Canada Child Tax benefit and the increase to the guaranteed income supplement (GIS) for low income seniors will positively impact consumption on the Island.

Due to the national economic situation, and the international geopolitical situation, some demographic pressures on the Island may be more muted in the short term. The Province has

committed to accepting 250 Syrian refugees as part of Canada's commitment, and this will likely provide some upside to the immigration figures. Due to the economic weakness in Western Canada, there may be less inter-provincial out-migration in 2015-16, and more inter-provincial in-migration. However, in general, the overall trend is that even with increased participation at older age groups, and immigration at current levels, this will be not enough to offset the overall decline in the core working age population.

Growth in employment on the Island in 2016 will be in those industries and sectors that are benefitting from the low dollar and low price of oil, such as manufacturing, and emerging industries that have expanded in the recent past, such as finance and professional, scientific and technical services. Tourism should see another positive year in 2016 as the low price of gasoline and the low value of the Canadian dollar will likely result in an increase in visitation from central Canada and the United States. Fiscal restraint at the provincial level will constrain growth in the public sector, though federal employment gains will have a positive impact on employment. Temporary hiring for the 2016 Census began in February and will last until July. Veteran's Affairs Canada is restoring its staffing compliment on the Island, and will be re-opening its service office in Charlottetown as was announced in the 2016 Federal li

