



Prince Edward Island
Budget Paper on the Economy
2022

Highlights of the Prince Edward Island Economy



- The Island's official population as of July 1, 2021 was 164,318, an increase of 1.9 per cent from 2020, and the fastest growth amongst provinces for the sixth year in a row.
- Employment increased by 3.5 per cent in 2021 to average 79,400 people, regaining all of its pandemic losses -to reach a new all-time-high.
- Consumer prices increased 5.1 per cent in 2021, the fastest growth in 30 years, compared to no growth in 2020.
- Retail sales on the Island increased 19.8 per cent in 2021, while wholesale trade increased 32 per cent, the fastest growth amongst provinces.



- Building permits increased 12.7 per cent compared to 2020.
- Investment in building construction is up 43 per cent in 2021 to total just over \$1 billion.
- PEI recorded 1,260 starts in 2020, the second most stars seen in any year since 1974, and an 8.4 per cent increase from 2020.
- Housing completions increased 2.7 per cent to 1,396 units, the most completed in a single year since 1974, and the third best year on record.
- Manufacturing shipments increased 14.9 per cent in 2021 to total \$2.5 billion, a new record.



- Island exports increased 12.5 per cent in 2021 to reach \$1.7 billion, a new all-time high.
- Through the first three quarters of 2021, farm cash receipts increased 5.2 per cent to total \$422.7 million, an all-time high.
- Through October, overnight stays at Island tourism accommodations totaled 647,652, an improvement of 48.7 per cent from 2020.
- Economic growth is projected to be 3.5 per cent in 2021, and 2.9 per cent in 2022.

Introduction

After witnessing a shallow contraction of economic activity in 2020 of 1.7 per cent, PEI saw solid economic performance in 2021. Though the path to economic growth was affected by the trajectory of the pandemic, a solid management strategy allowed the majority of the economy to continue to function. Despite the curtailment of economic activity in December, the Island economy has fared well in 2021, making up ground lost in the pandemic on certain vectors, and continuing to new heights in others. In 2021, the Island continued to be a destination that those from other parts of Canada and around the world increasingly wanted to call home, and had the growth in domestic demand to show for it. New records were set in retail and wholesale trade, and investment in building construction, with employment exceeding pre-pandemic levels. The Island produced goods and services that were desired by purchasers, both domestic and international, as shipments overtook pre-pandemic levels and exports continued to grow. Like other jurisdictions, the Island saw rising inflation and supply chain challenges that continue to be a feature of this pandemic.

Over the course of the year, as vaccines became widespread, first for adults, and by the end of the year for children there was hope that the economic and social situation might normalize through the late fall. However, with the arrival of the much more contagious Omicron variant, the Island ended 2021 in a position much different than that envisaged even a few short months ago.

This is an update to the economic situation of the province since the publication of the Fiscal and Economic Statement in November 2021. All information in this document is current to February 18, 2022.

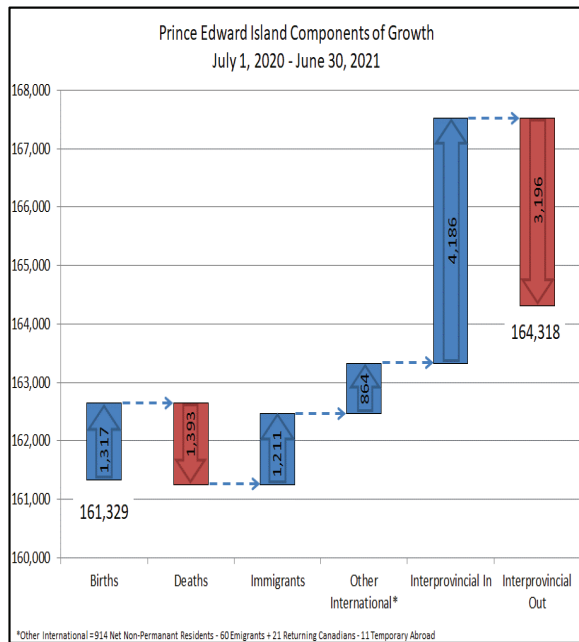
Economic Indicators



Population

Prince Edward Island's population continued to grow in 2021. As of July 1, 2021, the population increased by 2,989 persons, or 1.9 per cent, from 2020 to 164,318 people. Despite 2021 being the eight consecutive year of growth,

Chart 1:



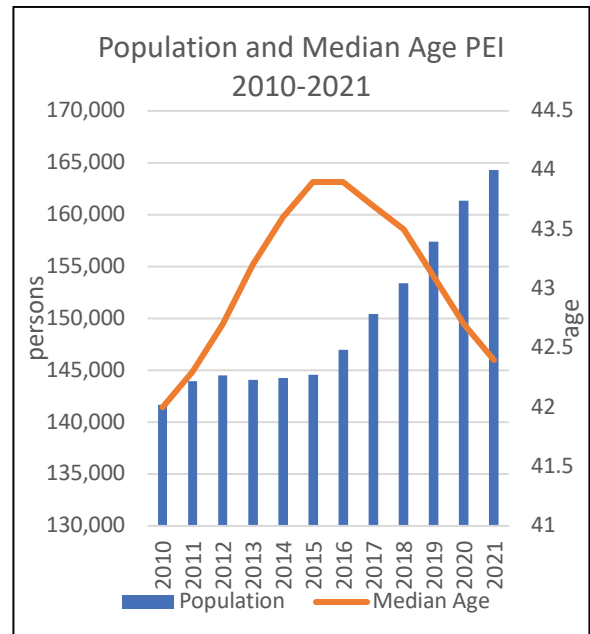
Source: Statistics Canada

the sixth consecutive year of growth that was stronger than the national average, and the sixth consecutive year where population growth has been the fastest amongst provinces, the effects of the COVID-19 pandemic were obvious as population growth dipped below 2 per cent for the first time since 2016.

Due to border restrictions, international immigration has slowed considerably since the beginning of the COVID-19 pandemic. From July 2020 to June 2021, a total of 1,211 international immigrants came to the province, a decrease of 41.8 per cent as compared to the previous year. This follows an 8.3 per cent decrease in immigrants in 2019-20.

Between July 1, 2020 and June 30, 2021, Prince Edward Island had an estimated net inter-provincial migration of 990 people (4,186 in-migrants less 3,196 out-migrants). The revised data show this is the sixth consecutive year of positive net inter-provincial migration, beginning in 2015-16. Chart 1 shows the components of growth for 2021.

Chart 2



Source: Statistics Canada

The median age on the Island has been declining recently as a result of the larger number of international immigrants under 40 entering the province. Prince Edward Island is the only jurisdiction that has seen a recent steady decline in the median age. It is currently 42.4 per cent, approximately where it was in 2011. Nationally, the median age was 41.1 years in 2020-21.

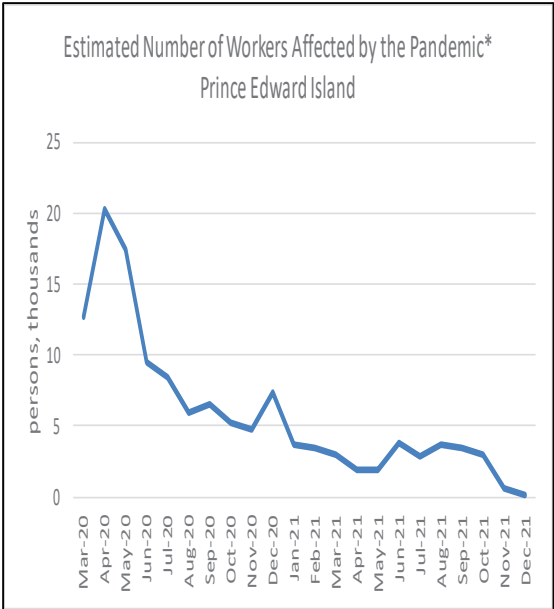
Labour Force

Throughout the course of 2021, the effects of the pandemic on the Island labour market continued to dissipate. By the end of the year, the number of workers affected by the pandemic¹ had returned to almost zero, while employment has surpassed 2019 levels to reach a new all-time high, though the composition of employment has shifted.

Prince Edward Island recorded a level of employment 0.3 per cent higher than recorded in 2019 (79,200). Nova Scotia was the only other province whose 2021 employment level exceeded that of 2019 (up 0.5 per cent).

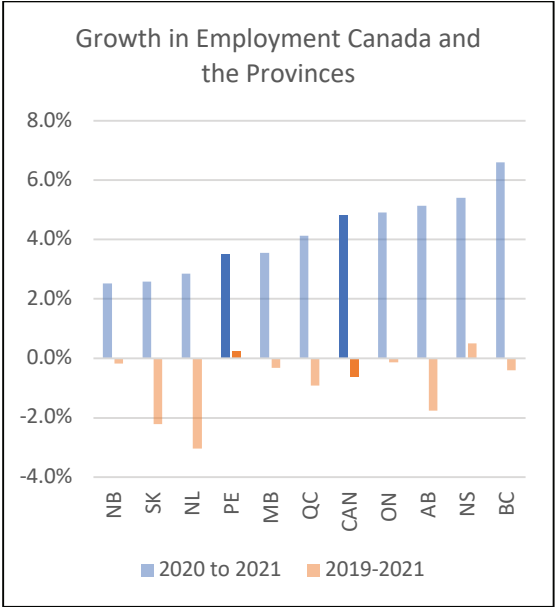
As a result of the restrictions put in place to control the spread of COVID-19, employment on Prince Edward Island contracted for the first time since 2016. After growing by 3.4 per cent in 2019, employment declined by 3.2 per cent in 2020 to average 76,700 people, a level of employment almost identical to that seen in 2018 (76,600). Employment declines amongst the provinces ranged from 2.6 per cent in New Brunswick to 6.6 per cent in both Alberta and British Columbia. Nationally, employment declined 5.1 per cent.

Chart 3



Source: Statistics Canada

Chart 4:



Source: Statistics Canada

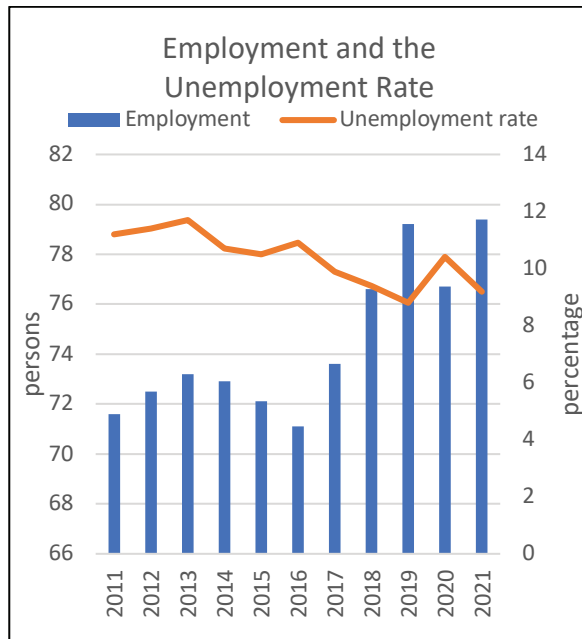
After contracting in 2020 as a result of COVID-19 measures, employment on the Island grew by 3.5 per cent in 2021 to reach 79,400 people. Employment grew in all provinces in 2021, with growth ranging from 2.5 per cent in New Brunswick, to 6.6 per cent in British Columbia. Nationally, employment increased by 4.8 per cent in 2021.

The unemployment rate on the Island returned to single digits in 2021 – at 9.2 percentage points – after recording a rate of 10.4 percentage points in 2020. Nationally, the unemployment rate averaged 7.5 percentage points in 2021.

¹ Includes the decline in total employment plus the increase of workers who were employed but worked zero hours or less than half of their usual hours, as compared to February 2020. Source: Statistics Canada, Labour Force Survey, Supplementary Indicators.

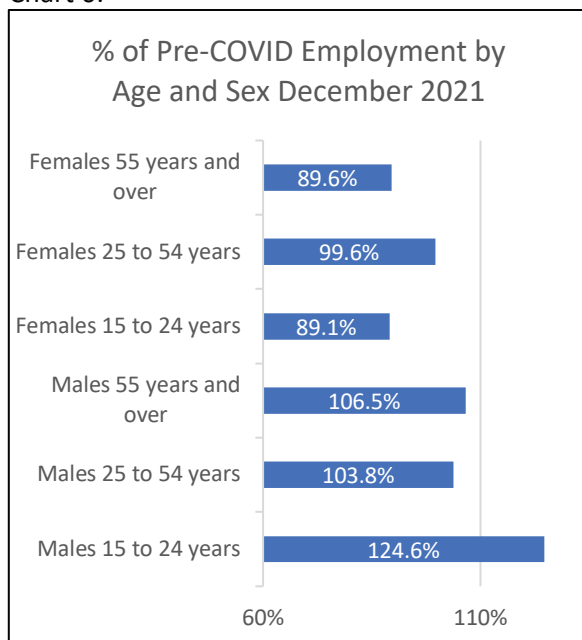


Chart 5:



Source: Statistics Canada

Chart 6:



Source: Statistics Canada

Prince Edward Island exceeded its pre-COVID level of employment in November of 2021 for the first time since the pandemic began and remained above pre-pandemic employment levels in December. Though employment generally is back above pre-recession levels, the composition of those employed has shifted, with more men and fewer women working. As of December, employment levels for women had not yet achieved a return to pre-pandemic levels.

Employment increased notably in 2021 in health care and social assistance (+ 700), educational services (+600), wholesale and retail trade (+600), and public administration (+600), while notable declines were recorded in construction (-800), and agriculture (-300).

Industries that were heavily impacted by the restrictions put in place to control the pandemic had mixed results in 2021. Some industries, such as wholesale and retail trade, and information, culture and recreation saw employment gains which placed them at or above the employment levels experienced in 2019. Accommodation and food services saw growth in 2021 (+400), but remains well below pre-COVID levels, while transportation and warehousing contracted for a second consecutive year (-200).

Average weekly earnings on the Island were down 0.1 per cent through November, following a year with significant earnings growth. In 2020, average weekly earnings increased significantly, up 8.8 per cent, due to the impact of the pandemic on lower wage and hourly workers. Average weekly earnings have grown by approximately 2.5 per cent per year in the ten years prior to the pandemic. Nationally,

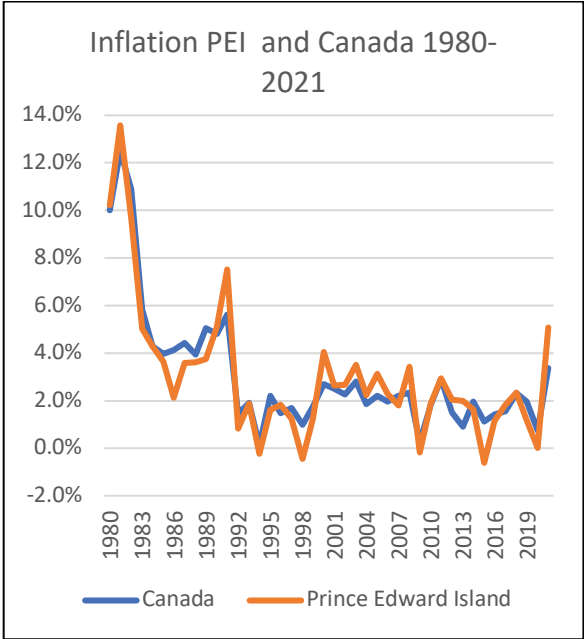
average weekly earnings have increased by 3.1 per cent through November 2021.

As restrictions surrounding the pandemic eased throughout the course of the summer, more job vacancies began to be posted. According to the Job Vacancy and Wage Survey, there were 3,565 job vacancies in November 2021, for a job vacancy rate of 5.0 per cent. Nationally, the job vacancy rate in October was 5.1 per cent.

Consumer prices

Consumer prices on the Island increased 5.1 per cent in 2021 as compared to 2020. This was the highest annual increase amongst provinces, and the highest inflation has been since 1991. Annual inflation for PEI in 2020 was 0.0 per cent. The main driver of inflation in 2021 was ongoing supply chain issues connected to the COVID-19 pandemic, which contributed approximately 2 percentage points to inflation at the national level.

Chart 7:



Source: Statistics Canada

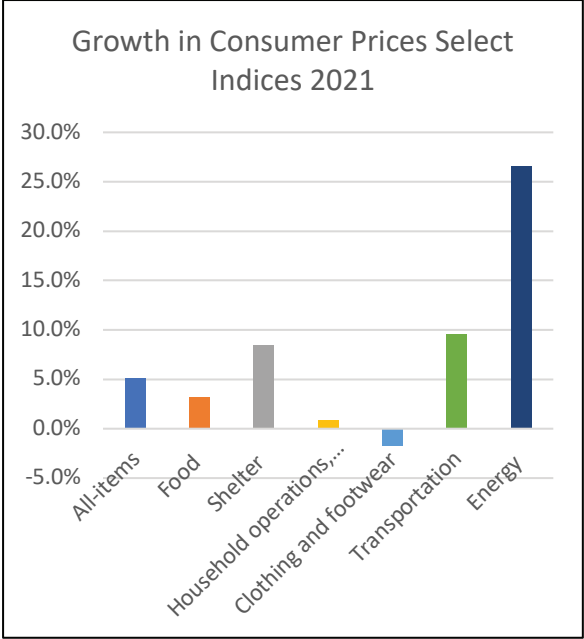
Increases occurred in seven of the eight major components, with transportation (9.6 per cent), shelter (8.5 per cent), and alcoholic beverages, tobacco products and recreational cannabis (4.1 per cent) increasing the most. Prices for clothing and footwear declined by 1.7 per cent. Food prices increased 3.2 per cent, led by a 5.9 per cent increase in prices for meat products.

Energy prices on P.E.I. increased by 26.6 per cent over 2020, with prices for fuel oil and other fuels rising by 46.1 per cent, gasoline prices rising 35.0 per cent, and electricity by 1.6 per cent. Prior to the pandemic, energy prices were declining on the Island, falling by 14.2 per cent in 2020 and by 3.8 per cent in 2019.

Core inflation (all items excluding energy and food) increased 2.9 per cent.

The Government of Canada and the Bank of Canada renewed the flexible inflation targeting framework for a further five-year period in 2021. The target was renewed at the midpoint of the 1-3 per cent control range.

Chart 8:



Source: Statistics Canada

8

Retail/Wholesale Trade and Motor Vehicle Sales

Retail sales set a new all-time record in 2021, after growing by 1.1 per cent in 2020. Retail sales on the Island totaled just over \$3 billion in 2021, an increase of 19.8 per cent from the same period in 2020, and the fastest growth amongst provinces. Nationally, retail sales rebounded significantly from the pandemic growing by 11.6 in 2021.

Growth was posted in all major retail trade categories in 2021. Notable gains occurred in motor vehicles and parts, up 22.9 per cent, or \$144.2 million, building materials up 24.9 per cent, or \$78.6 million, and gasoline stations, up 29.2 per cent or \$77.5 million. Both motor vehicle sales and gasoline stations recorded losses in 2020, while building materials was the retail trade sector that saw the most growth. Clothing and accessories stores, the other sector that posted losses in 2020, saw sales rebound, with growth up 31.8 per cent or \$21.7 million in 2021.

New motor vehicle sales were affected by the pandemic due to plant shutdowns on the production side and restrictions on consumers on the consumption side, as car dealerships were not considered an essential services through the initial wave of the pandemic. These issues largely subsided in 2021, though production issues remained due to a shortage of semiconductor chips used in the electronic systems of vehicles. The result of this was lower production of vehicles, coupled with increased demand.

In 2021, the value of new motor vehicles increased 23.8 per cent, while the volume of vehicles sold increased by 14.1 per cent. Due to limited supply and high demand, dealerships did not need to offer as many sales concessions to purchasers, and this in part helps to explain the large increase in vehicle value over this period.

Consumers continued to opt for larger vehicles in 2021, with 80 per cent of new vehicle sales being vans, SUV's and trucks. Nationally, the volume of new motor vehicles increased by 5.3 per cent while the value increased by 11.2 per cent in 2021.

Chart 9:

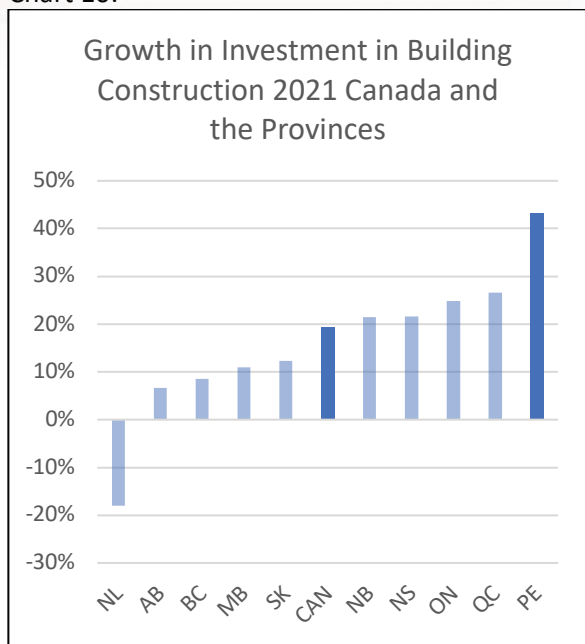
Province/Region	Growth (%)
ON	~9.0
NL	~10.5
CAN	11.6
SK	~11.5
BC	~12.5
QC	~13.0
NB	~13.0
AB	~13.0
MB	~14.5
NS	~16.5
PEI	19.8

Source: Statistics Canada

Prince Edward Island



Chart 10:



Source: Statistics Canada

Wholesale trade totaled \$1.4 billion in 2021, and increased by 32 per cent, the fastest growth amongst provinces. Wholesale trade on the Island is largely concentrated in two sectors: food and beverage wholesaling, and machinery and equipment wholesaling. Nationally, wholesale sales grew 14.5 per cent in 2021.

Construction and Housing

The 2021 construction season on the Island had another successful year. The trends that manifested themselves in 2020, such as the desire for more space due to remote work and COVID restrictions, continued into 2021. The

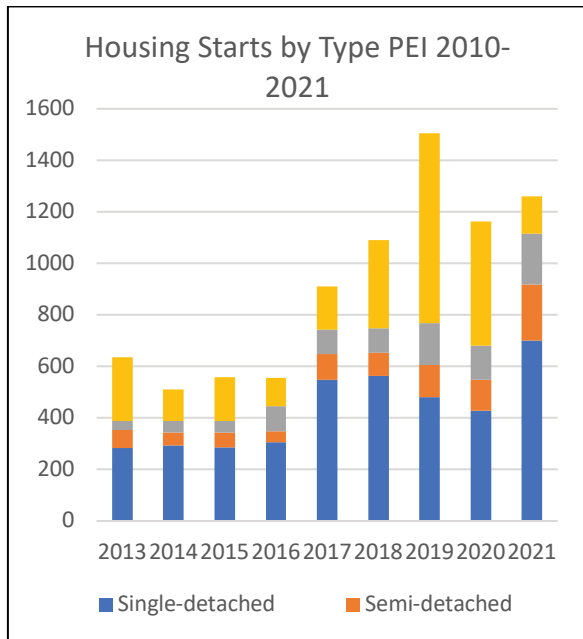
resulting strong increase in single-family residential construction was one of the main contributors to growth in the sector in 2021, helping to push investment in building construction to over \$1 billion, an all-time high. Supply chain issues as a result of COVID measure both in Canada and internationally have affected the availability of goods which led to project delays and increased cost. There were no significant shutdowns or curtailments to the construction industry on the Island in 2021 as a result of COVID restrictions. Building permits increased 12.2 per cent in 2021. A 27 per cent increase in residential permits was more than enough to offset a decline of 12.8 per cent in non-residential permits. Nationally, building permits have increased 25.6 per cent in 2021.

Investment in building construction increased by 43 per cent in 2021 to total \$1.14 billion. This is the fastest growth amongst provinces, and a new provincial record. Gains on the Island were recorded in both residential investment, up 45.9 per cent, and non-residential investment, up 35.7 per cent. Significant growth in single dwellings was the major factor behind the strong growth in building construction, up 77.2 per cent to total \$694 million this year. Nationally, investment in building construction increased by 19 per cent in 2021.

After declining in 2020, housing starts increased by 8.4 per cent in 2021 to 1,260 units. This is the fourth consecutive year where housing starts have exceeded 1,000 units. A 63.4 per cent increase in single detached starts was more than enough to offset a 23.7 per cent decline in multi-unit starts. This decline in multi-unit starts is the result of a 70 per cent decline in apartment starts in 2020, as semi-detached starts increased 80.8 per cent and starts for row housing increased by 48.5 per cent. Nationally, housing starts increased by 24.5 per cent in 2021.

Housing completions also increased in 2021, up 2.7 per cent to total 1,396 units. This is the second year in a row where completions have exceeded 1,300 units, a level that is required to meet the long-term demands of household formation and immigration to the province. However, as a result of higher than anticipated population growth owing to increased positive inter-provincial migration, coupled with sustained higher levels of international immigration, through the short term additional units above this level will likely be required. Completions increased 27.8 per cent for single detached homes (616 completions), while completions fell 11.1 per cent in the multi-unit category (780 completions).

Chart 11:



Source: Canada Mortgage and Housing Corporation

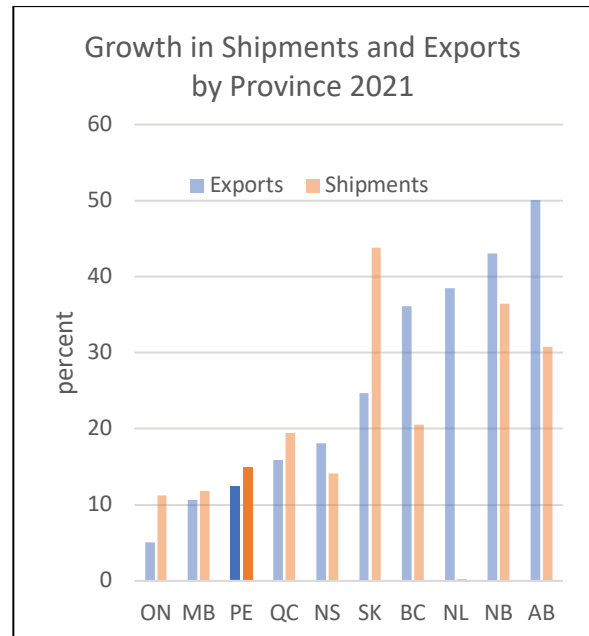
Existing home sales totaled 2,411 units in 2021, an increase of 14.3 per cent from 2020 and a new record. The average price of homes continued to climb on the Island in 2021, reaching \$342,049, up 20.9 per cent compared to one year ago. Inventory remains low, while the demand for housing continues to grow causing rapid price escalation. This trend will likely continue until more supply is added to the market through increased building.

Manufacturing and Exports

Manufacturing shipments increased by 14.9 per cent in 2021 to total \$2.5 billion, making up all the ground lost to the pandemic and a new all-time high. Growth has been recorded in both durable manufacturing, and non-durable manufacturing, up 11.3 per cent and 16.6 per cent respectively. Growth in manufacturing shipments ranged from a high of 43.8 per cent in Saskatchewan to a low of 0.3 per cent in Newfoundland and Labrador. Nationally, manufacturing shipments increased 17.5 in 2021.

Exports continued to grow in 2021, reaching \$1.7 billion in 2021, an increase of 12.5 per cent from 2020. Growth in exports in 2021 ranged from a low of 5.1 per cent in Ontario, to a high of 50.1 per cent in Alberta, as improved prices for petroleum and other resources benefitted provincial manufacturing and exports. Nationally, exports increased by 21.5 per cent over this time period.

Chart 12:



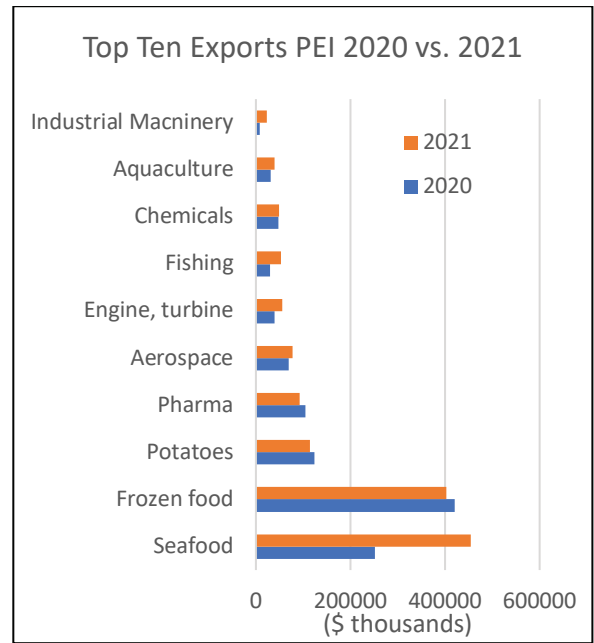
Source: Industry Canada, Statistics Canada



Growth in the Island’s exports is due largely to an exceptional performance by the Island’s seafood sector. Exports of prepared seafood increased 80.2 per cent in 2021 to total just over \$454 million. Strong performances were also recorded in fishing, up 75.5 per cent and aquaculture, up 27.9 per cent.

Frozen potatoes, normally the Island’s top export were down 4.0 per cent in 2021, while exports of fresh potatoes declined 7.8 per cent. The impact of the ban on Island fresh potatoes is responsible for the decline, as PEI only exported \$2 million in potatoes to the United States in December 2021, compared with \$19.4 million in November 2021, and \$12.6 million in December of 2020.

Chart 13:



Source: Industry Canada



Primary Industries



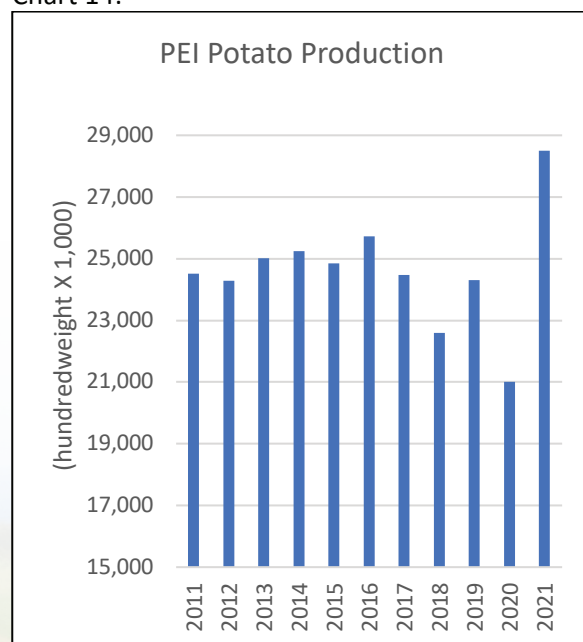
Agriculture

Agriculture benefitted in 2021 from a solid growing season as well as strong prices for farm products, which improved receipts and farm income. Through the first three quarters of 2021, farm cash receipts increased by 5.2 per cent to total \$422.7 million, an increase of \$20.8 million from the same period last year. Crop receipts increased 4 per cent, with gains in soybeans and other crops more than enough to offset a 6.1 per cent decline in potato receipts. Live-stock receipts increased 9.7 per cent over this timeframe. Direct payments and other support payments to farmers declined by 2.7 per cent through three quarters of 2021. Absent support payments, farm cash receipts increased by 5.7 per cent over this time period. Nationally, farm cash receipts increased 11 per cent through the first three quarters of 2021.

After seeing almost universal price increases in 2020, farm product prices showed strong gains in 2021. For crops, soybeans recorded the largest increase, up 20.4 per cent, followed by wheat where prices were up 18.3 per cent. Prices increased across all livestock sectors, and after seeing a decline of 7.9 per cent in 2020, hog receipts have rebounded, up 41.1 per cent in 2021. Supply managed commodities also saw increase, with chickens, up 11.5 per cent, seeing the largest increase.

Prince Edward Island planted 86,000 acres of potatoes in 2021, an increase of 3 per cent from 2020. Due to one of the best growing seasons in the last number of years, PEI produced 28,510 hundredweight of potatoes, an increase of 36 per cent from 2020 regaining its distinction of producing the most potatoes amongst provinces. Average yield was 334.4 hundredweight per acre, the best average yield for the Island on record (since 1908). Unfortunately, due to trade restrictions on PEI fresh and seed potatoes, it is unlikely that farmers will be able to take advantage of one of the best harvests on record. There are indications that this issue may be resolved in the near term, which would limit some of the damage in this sector.

Chart 14:



Source: Statistics Canada

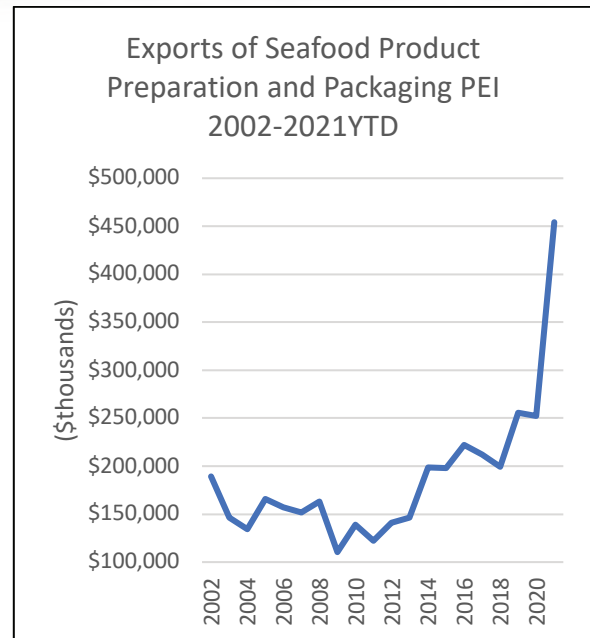


Fishing

The seafood industry has made a strong comeback in 2021, with demand for lobster, snow crab, mussels and oysters being very strong, both domestically and internationally. Prices and catches from the spring lobster fishery are up significantly. Inventory from the spring season was completely committed before the commencement of the fall season. The fall lobster fishery ended the weekend of October 2nd and reported record high prices and catches on par with past years. Demand continues to be strong through the fall, and it is anticipated that the fall catch will be sold quickly. Overall, the preliminary total value of the 2021 lobster catch is estimated to be over \$350 million, a new all-time high.

This is clearly visible in the export statistics for this industry so far in 2021. As can be seen in Chart 16, seafood exports have exceeded the previous high set in 2019 by a significant margin.

Chart 15



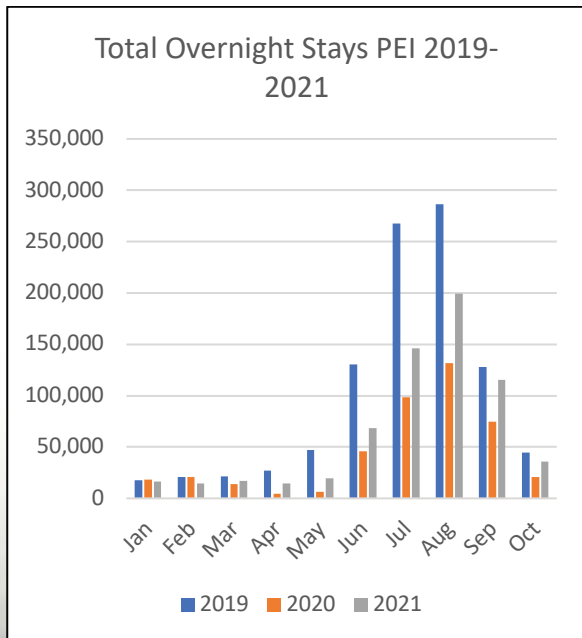
Source: Industry Canada

Heavy rains in the fall have had an impact on the PEI shellfish industry, stopping harvesting for a period of time in September, and delaying the beginning of the Island's oyster season. However, demand for oysters and mussels continues to be strong, and is helping that portion of the industry recover from decreased sales, especially from food service in 2020.

Tourism

The tourism sector continues to be the sector most affected by the ongoing restrictions in place to combat the pandemic. The province opened up to vaccinated, and partially vaccinated travelers from the Atlantic region in late June, and then expanded to allow fully vaccinated travelers from the rest of Canada in mid-July, fully vaccinated American travelers on August 8th, and fully vaccinated international travelers on September 7th. Through the end of October, there were 647,652 overnight stays on the Island. This is an increase of 48.7 per cent from 2020 but remains 34.6 per cent below 2019 levels.

Chart 16:



Source: PEI Dept. of Economic Growth, Tourism and Culture

Much of the progress made in 2021 to approach 2019-levels of activity, happened in the shoulder season, which coincided with the resumption of quarantine-free travel for a wide variety of vaccinated individuals. As can be seen in Chart 17, overnight stays were down 9.9 per cent in September and down 19.6 per cent in October compared to 2019, much closer to 2019 levels than in the spring or summer months.

Through October, traffic to the Island increased for air and ferry services, up 32.5 and 47.8 per cent respectively. After seeing virtually no activity in 2020, motorcoach tours resumed in July of 2021. Though up considerably from 2020, these visits are below five per cent of 2019 levels. Bridge traffic is down 2.5 per cent through October.

The presence of the more transmissible Omicron variant begat more restrictive travel measure which were implemented in the late fall. These culminated with the re-imposition of a minimum 4-day quarantine for all travelers in late December, depending on vaccination status.



Private sector outlook



At the onset of the pandemic in 2020, the province made the decision to implement border measures to protect the health of the public, the effect of which was a major curtailment of the tourism sector, and those industries connected to it, such as accommodation and food services, transportation and cultural industries. However, as a result of these decisions, PEI was able to avoid extended, severe lockdowns, which allowed the majority of the economy to function fairly close to normal as a closed population. Consequently, at -1.7 per cent, Prince Edward Island had the shallowest economic contraction amongst provinces in 2020, with the majority of the reduction in activity concentrated in the aforementioned industries. As a result, the rebound in economic activity is not projected to be as pronounced on the Island as it is in other provinces, as it did not diminish as much in the first place.

The average of private sector forecasters places growth for the Island economy at 3.5 per cent in 2021 and 2.9 per cent in 2022, slightly lower than at the time of the Fiscal and Economic Update. In the interim, the GDP figures for 2020 were revised positively, accounting for some of the lowering of the growth forecast for 2021. Growth in 2021 is still expected to have recovered all of the output lost during the recession, before continuing to grow in 2022 and beyond.

Table 1: Private Sector Real GDP Growth Forecasts as of 14 February 2022

Organization	2021	2022	Date Issued
CBoC	6.5	3.6	December 14, 2021
APEC	3.9	3.0	October 22, 2021
BMO	2.3	2.5	Feb 11, 2022
CIBC	2.7	3.6	Dec 1, 2021
Scotiabank	3.3	2.8	Jan 19, 2022
TD	2.9	2.7	Dec 15, 2021
RBC	3.6	2.7	Dec 2, 2021
National Bank	3.1	2.5	January 2022
Average	3.5	2.9	

The arrival of the Omicron variant, and the subsequent restrictions in place to combat the latest COVID wave were largely put in place after some of these forecasts were completed. Depending on the length of these control measures and the trajectory of Omicron, there could be some downside to the forecasts for 2022.



Outlook

The beginning of 2022 will be a bit of a setback, not just on the Island, but in many parts of the country, and around the world. The situation on the Island is no different than that experienced elsewhere, the exception being that the omicron wave of the virus is the first time that the Island has seen a sustained, high level of cases and first recorded deaths so far through this pandemic. As a result, strict pandemic management strategies returned temporarily, including quarantine for everyone coming to the Island, the shuttering of many indoor activities, and strict gathering limits. These measures are now being phased-out through the rest of the winter and early spring, with a view to end all pandemic-related health measures by early April 2022.

Despite the pandemic, the Island's population continued to grow through the end of 2021, reaching an estimated 165,963 people on October 1st. The population should continue to grow in 2022 as the backlog of immigrants ap-

proved to come to Canada gets processed, and improved travel linkages, and fewer restrictions make re-settling easier. In line with current projections, it is expected that an additional 2,500 immigrants are to arrive on the Island in 2022. Despite the strong contributions seen recently to inter-provincial migration, international immigration will continue to be the driving force behind population growth, through the medium term. Changes in economic circumstances in other parts of Canada, as well as how the recovery from COVID-19 unfolds in terms of the permanence of remote work make inter-provincial migration a more volatile source of growth for the province.

The labour force should continue to grow in 2022 but will take a hit in the early part of the year as a result of disruptions caused by the current omicron wave of the pandemic. However, other sectors of the labour market will continue to face pressure for additional workers in 2022, due to a lack of skilled labour in certain cases, or perceived poor working conditions in others. These factors will likely

impact sectors such as health care, construction and accommodation and food service going forward.

The Bank of Canada is forecasting inflation to be higher through the beginning of 2022 due to supply constraints as well as high energy prices and rising food prices before falling through the latter half of the year. However, if challenges persist, and the pandemic-induced disruptions linger further into 2022 than currently forecast, inflation could be a larger issue throughout the latter part of 2022 and into 2023. Domestic demand is also poised to continue to expand as the population continues to grow, but supply chain disruptions in the wholesale and retail trade sectors could limit the availability of goods for sale, especially through the winter and into the spring.

The Island construction sector will be well supported by an ambitious capital plan and numerous private, and other public sector projects. Investment in building construction should continue to advance in 2022, as numerous projects are slated to begin, or continue this year, such as the final preparations for the 2023 Canada Winter Games, continued expansion in the bioscience sector, and the increased installation of renewable power.

The demand for housing will continue to grow, and housing starts should at least be at their new base of about 1,200 units a year. This may still not be at a sufficient level to provide relief to the housing market, but a shortage of workers, combined with increased costs will constrain this sector through the medium term. A lack of multi-unit housing starts depressed starts in 2021 but should improve from low levels in 2022.

Recent changes brought forth concerning short-term rentals in Charlottetown may help to increase the supply of long-term accommodations in the city or may prevent units that went back into long-term rental due to the pandemic from returning to the tourism market once conditions improve. However, until supply and demand conditions are more balanced, housing prices are projected to continue to increase.

Shipments and exports will continue to rebound, with fisheries leading the way, as the agriculture industry continues to cope with fresh potato exports being shut

out of US markets. Other industries, such as aerospace, which were hit harder by the pandemic will continue to rebound, as air traffic continues to increase. A failure to fully resolve the potato wart dispute with the United States may negatively affect the agriculture industry in 2022 due to significant projected revenue losses. If no guidance on a resolution is in place before the planting season, this issue could prolong damage to the industry into 2023 and beyond, as planting levels could either overshoot or undershoot demand. A timely resolution to this impasse appears more likely as potato exports are set to resume to Puerto Rico, though exports to the continental United States remain restricted. A full year of production at the cannabis plant in Charlottetown should continue to bolster crop receipts in 2022.

The rebound in tourism will also continue, but as always is subject to the progression of COVID-19 and its variants. Prospects do look more robust for 2022 as the Province has recently announced a 3-phase plan to eliminate remaining public health restrictions, which begin on February 18th, with an end to mandatory quarantine for vaccinated persons coming to the Island, and larger gathering limits, and ends in April with the removal of all remaining public health measures. This should help with planning and staffing requirements for the upcoming tourism season. Cruise ships are also set to return to the port of Charlottetown after a two-year hiatus. Changes to short-term rental in Charlottetown may also spur the development of new purpose-built tourism accommodations over the coming years to make up for the decrease in supply in this area. However, a full recovery in that sector is not likely until 2023 at the earliest.

Risks to the outlook remain largely to the downside and continue to be dominated by the pandemic. Other, more transmissible variants necessitating the continuation of public health measures are the main risk, along with continued supply chain disruptions, inflation expectations, ongoing trade disputes and labour shortages. Transitioning out of a pandemic state to an endemic state of COVID, and a lessening of public health restrictions, and with that a general normalizing of economic and social activity provides an upside to the forecast.



Prince Edward Island

Budget Paper on the Economy