



2025-2026

Fiscal and Economic Update

Department of Finance

The following reflects expected financial results for the end of the fiscal year based on information known since the release of the Operating Budget in April 2025, with a particular focus on fiscal and economic indicators for 2025, as well as a preliminary economic outlook for 2026.

All fiscal information in this document is current to November 17, 2025, while economic information is current to December 5, 2025.

Compared to the 2025-2026 Operating Budget, the Province is now projecting a deficit position of \$367.4M, an increase of \$183.4M since the Budget was tabled in April 2025, with the net debt expecting to increase by \$172.4M more than what was anticipated.

This report outlines the strong signs of economic growth for PEI and showcases Government's commitment to supporting Islanders through the plan outlined in Budget 2025-2026.

2025 Fiscal and Economic Highlights

The current forecast for FY2025-2026 is a deficit of \$367.4 million, a \$183.4 million increase from the Budget released in April 2025.

As of July 1, 2025 PEI's population was estimated to be 182,657. This is a yearly increase of 2,948 people for a growth rate of 1.6 per cent. International immigration continues to be a main driver of population growth.

There were 1,451 new housing starts through the third quarter of 2025, an increase of 8.5 per cent from 2024.

On a year-to-date basis through November, employment on the Island has grown by 1.0 per cent.

Provincial expenditures are expected to increase by \$124.8 million. This reflects anticipated pressures associated with higher agricultural insurance claims, growing caseloads and cost per caseload for social programs, increases in resources for education, growth in healthcare delivery costs, and increased salary costs for public service employees.

Total revenues are forecasted to decrease by \$58.6 million primarily due to reductions in tax revenue of \$23.6 million and tobacco litigation settlement payment budgeted at \$36.4 million, included in 2024-25 instead of 2025-26.

Manufacturing shipments are up 10.1 per cent on a year-to-date basis through September, the fastest growth amongst provinces.

The forecast shows that net debt as a share of GDP for 2025–2026 is higher than expected in the April 2025 Budget because the projected deficit is larger than originally planned.

Average weekly earnings are up 5.5 per cent through November, to total \$1,126.63 the fastest growth amongst provinces.

Real GDP grew by 3.8 per cent on the Island in 2024 following growth of 2.9 per cent in 2023 and 5.1 per cent in 2022. Growth for 2025 is forecast at 2.4 per cent.

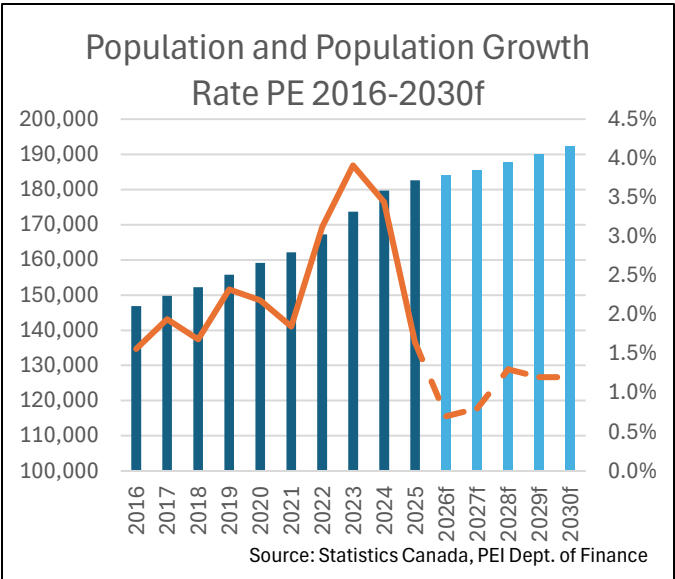


2025 Economic Update

Introduction:

Overall, the PEI economy is unfolding largely as forecast in April, with few direct disruptions from global trade disputes, and resilience in industries such as construction and tourism. The changes in federal and provincial immigration policy are beginning to impact the Island as expected, with population growth slowing and employment growth easing allowing for a more sustainable growth path. All economic information in this release is current to December 5, 2025.

Population:



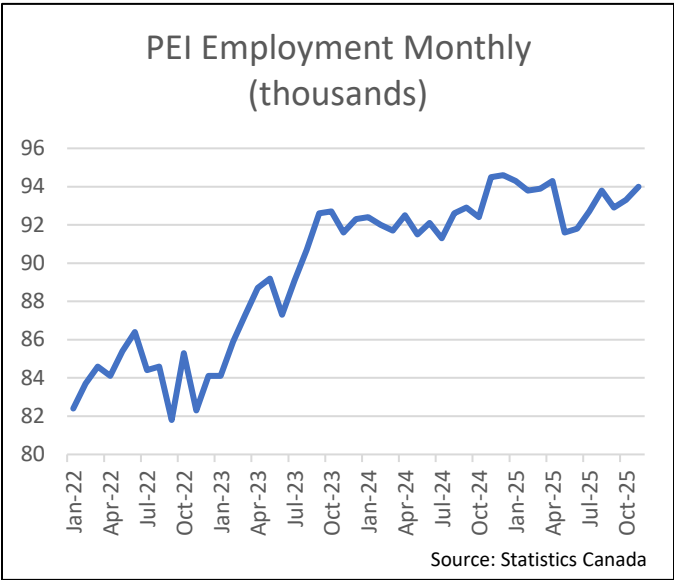
As of July 1, 2025, PEI's population was estimated to be 182,657. This is a yearly increase of 2,948 people for a growth rate of 1.6 per cent. International immigration continues to be a main driver of population growth, though immigration has slowed significantly in 2025 due to federal and provincial policy changes. Immigration totaled 2,843 in 2025, down 31.4 per cent from 2024 and the lowest number of new arrivals since the pandemic.

Labour Force:

On a year-to-date basis through November, employment on the Island has grown by 1.0 per cent. Employment on the Island has generally plateaued since July 2023. Since then, employment has averaged about 92,800 a month.

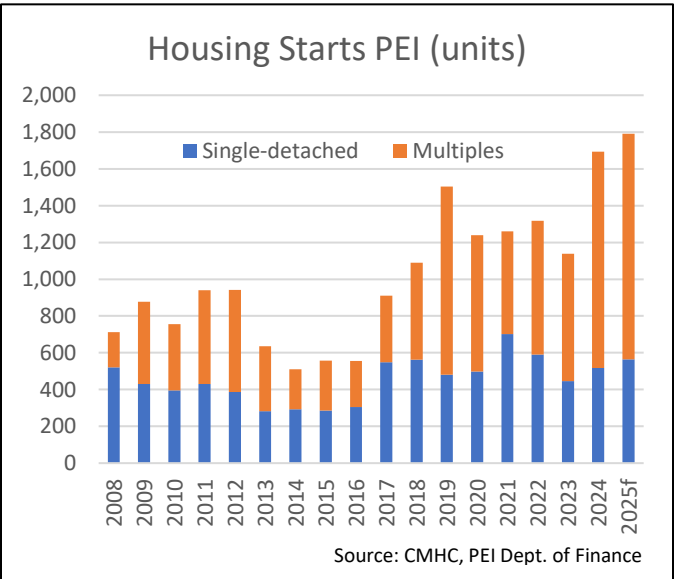
The number of unemployed people on the Island increased by 373 people through November to total 8,182, while the unemployment rate has increased by 0.3 percentage points to 8.1 per cent.

Average weekly earnings are up 5.5 per cent through November to total \$1,126.63, the fastest growth amongst provinces. Total labour income on the Island is up 2.1 per cent through the first three quarters of the year.



Housing:

There were 1,451 new housing starts through the third quarter of 2025. Growth has been in single-detached



starts, up 10.9 per cent and multi-unit starts, up 7.6 per cent. PEI has seen the highest number of multi-unit starts on record for this period, largely due to a strong increase in apartment starts, up 22.6 per cent through the third quarter. Though only three quarters of the way through the year, this is currently the fourth-highest number of housing starts on record for the Island.

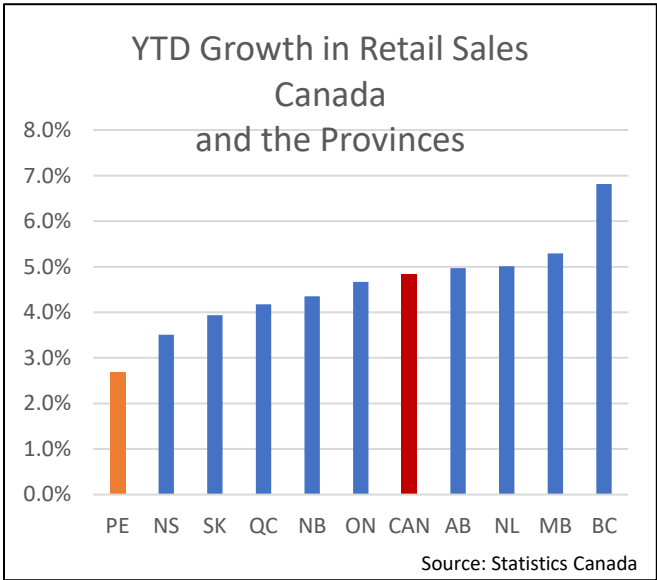
Consumer Prices:

On a year-to-date basis through October, inflation has averaged 1.2 per cent. The low level of overall inflation is largely a result of the effects of the removal of the consumer carbon tax in April. Food inflation has further moderated to 2.6 per cent over this period, while shelter inflation was 1.5 per cent and energy inflation was -5.7 per cent. Excluding energy, the increase in consumer prices has averaged approximately 2 per cent over the course of the year.

Change in Consumer Prices PEI 2021-2025YTD				
	2022	2023	2024	2025 YTD
All-items	8.9%	2.9%	1.8%	1.2%
Food	9.7%	7.9%	3.5%	2.6%
Shelter	12.8%	2.3%	3.0%	1.5%
Household operations, furnishings and equipment	5.9%	-0.2%	-0.1%	1.5%
Clothing and footwear	1.1%	1.5%	-1.3%	-0.7%
Transportation	13.6%	1.2%	1.3%	-0.6%
Health and personal care	5.5%	6.0%	3.8%	2.4%

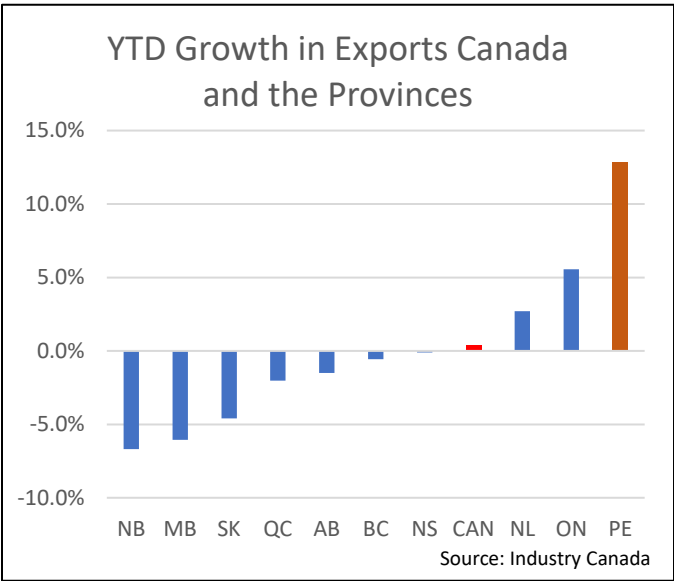
Retail Trade:

The value of seasonally adjusted retail trade is up 2.7 per cent on a year-to-date basis through September, the slowest growth amongst provinces. Slower growth is due in part to the lower price of gasoline as a result of the repeal of the carbon tax. Nationally, retail trade has increased by 4.8 per cent over this time period.



Manufacturing Shipments and Exports:

Manufacturing shipments are up 10.1 per cent on a year-to-date basis through September, the fastest growth amongst provinces. This increase is being driven by both non-durable shipments - mainly food - up 6.5 per cent, and shipments of durable goods, up 17.7 per cent.



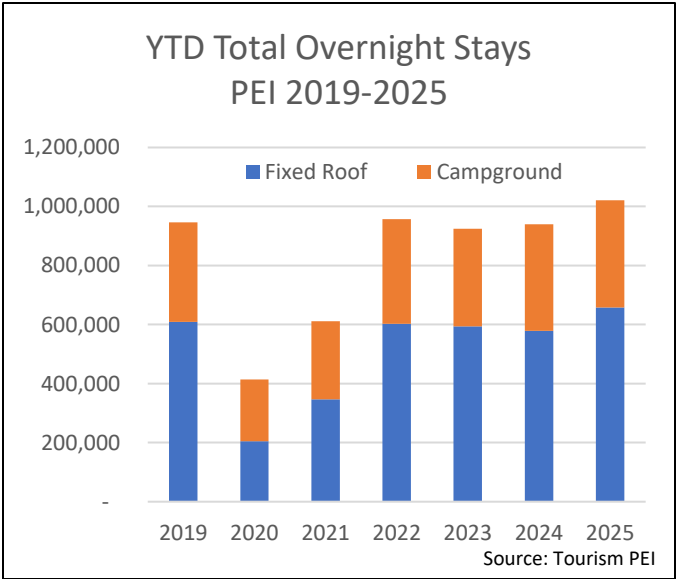
Exports are up 12.8 per cent through August, with strength in both food and non-food products. The Island continues to export the majority of its products to the United States with 73.8 per cent of goods going there. This is down slightly from 75.3 per cent in 2024.

Primary Industries

Tourism is benefitting from more Canadians vacationing in Canada as well as a return of international visitors to the Island, with total overnight stays up 8.7 per cent on a year-to-date

basis through September. Over this period stays at fixed roof accommodations have increased 10.2 per cent, while campground stays have increased 0.7 per cent. A reduction in bridge and ferry tolls have helped raise bridge traffic to the Island by 11.1 per cent, while ferry traffic to the Island increased 22 per cent on a year-to-date basis through September. Air traffic to the Island was down 6.0 per cent, while cruise traffic was down

28.0 per cent.

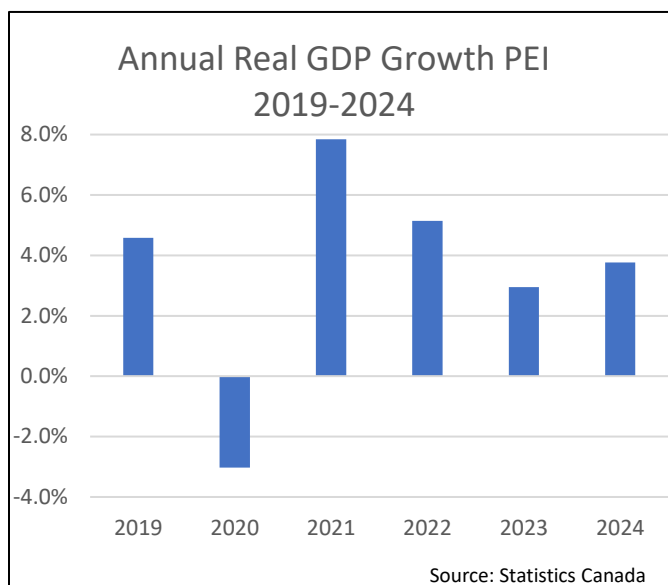


Total farm cash receipts are up 0.1 per cent through the third quarter. Increases in crop and livestock receipts of 5.9 per cent and 2 per cent respectively were enough to offset a 46.2 per cent decline in direct payments.

Exceptionally dry growing conditions have resulted in lower potato crop yields and production, with yield per acre down 17.8 per cent and production down 15.9 per cent, while disease continues to impact the oyster industry.

GDP Growth:

Real GDP grew by 3.8 per cent on the Island in 2024, following growth of 2.9 per cent in 2023 and 5.1 per cent in 2022. Among the provinces in 2024, Prince Edward Island (3.8 percent), Nova Scotia (3.1 percent), Saskatchewan (3.0 percent), and Alberta (3.0 percent) had the largest annual increases in GDP. Nationally, real GDP grew by 2 per cent in 2024.



Outlook:

The Island economy is evolving largely as estimated at in the April 2025 Operating Budget for both calendar year 2025 and heading into 2026. This view is headlined by good growth in shipments and exports, a strong housing and construction sector and a solid year for tourism. Demographic pressures due to expected lower levels of immigration are influencing the Island's population and labour market, resulting in slower growth in sectors tied closely to population. Consequently, the forecast for real GDP growth for 2025 is being revised slightly, down from 2.5 per cent at Budget to 2.4 per cent. Risks to the outlook stem primarily from the uncertainty surrounding possible trade disruptions, as well as the pace of demographic shifts due to the changes in immigration policy. Closer to home, more frequent extreme weather and the increased presence of disease continue to be risks for the primary sector.

Table 1:

	2024 Update	2025 Budget	2025 YTD	2025 Update - end of year	2026 Forecast
Nominal GDP (\$ millions)	10,889	10,930	11,357	11,357	11,812
Nominal GDP (%)	7.5%	4.3%	4.3%	4.3%	4.0%
Real GDP (\$ millions)	8,482	8,578	8,694	8,686	8,859
Real GDP (%)	3.8%	2.5%	2.5%	2.4%	2.0%
Employment (%)	3.6%	1.5%	1.0%	1.0%	0.6%
Total Labour Income (%)	9.1%	4.5%	2.1%	2.5%	2.0%
Retail Sales (%)	1.5%	2.5%	2.7%	2.7%	3.0%
Housing Starts	1,694	1,700	1,451	1,700	1,800
Inflation (%)	1.8%	1.8%	1.2%	1.2%	2.0%
Population (July 1st)	179,709	180,493	182,657	182,657	183,936
Population (%)	3.4%	1.1%	1.6%	1.6%	0.7%

2025-2026 Fiscal Update

The fiscal update provides information on Government’s projected revenues and expenditures as factors change throughout the year. The forecast has been compiled from information provided by management and is based on updated information and assumptions available since the Operating Budget was tabled.

The current forecast for 2025-2026 indicates a deficit of \$367.4 million. This represents an increase of \$183.4 million compared to the deficit plan of \$184 million outlined in the 2025-26 Operating Budget Estimates.

SUMMARY

	2025-2026 Budget Estimate	2025-2026 Fiscal Update	2025-2026 Budget Variance
(Millions)	\$	\$	\$
Total Revenue.....	3,343.0	3,284.4	(58.6)
Total Program and Consolidated Agency Expenditures.....	3,211.7	3,334.4	122.7
Total Interest and Amortization.....	315.3	317.4	2.1
Total Expenditures.....	3,527.0	3,651.8	124.8
CONSOLIDATED DEFICIT.....	(184.0)	(367.4)	(183.4)
NET DEBT - End of Year.....	3,561.9	3,734.3	172.4

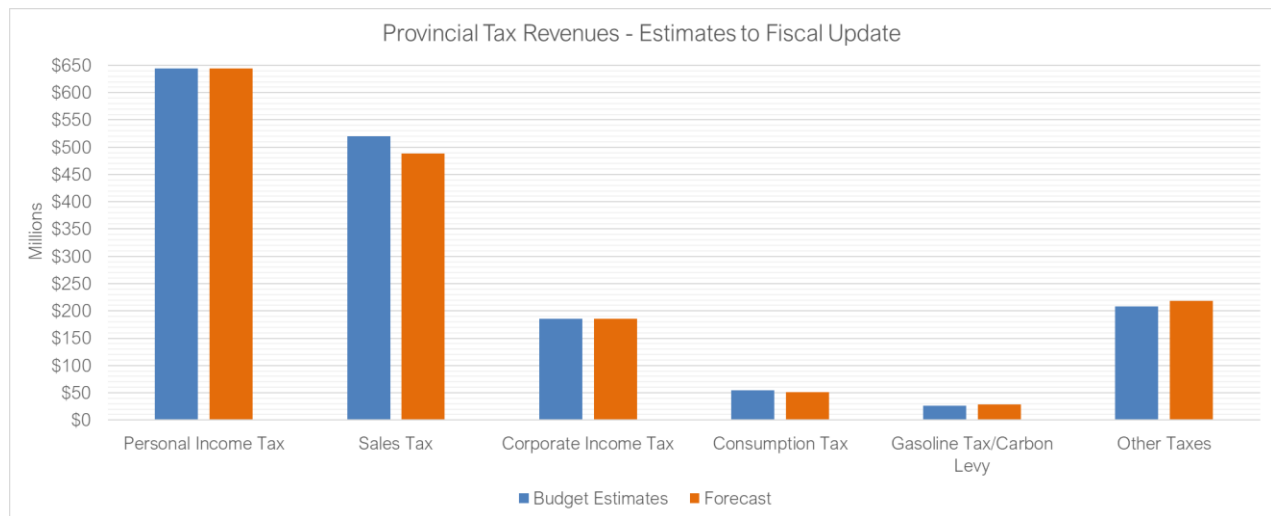
Revenue Forecast Highlights:

Total revenues are forecasted to decrease by \$58.6 million from the 2025-2026 Operating Budget Estimates prepared in the spring of 2025. Tax receipts are currently anticipated to decrease by \$23.6 million along with \$36.0 million less in Other Revenue related to the accounting required for the Tobacco Litigation payment, offset by \$5.5 million additional revenue in Fees and Services.

REVENUE SUMMARY BY SOURCE

	2025-2026 Budget Estimate	2025-2026 Fiscal Update	2025-2026 Budget Variance
	\$	\$	\$
PROVINCIAL OWN SOURCES			
Taxes.....	1,640,053,000	1,616,450,400	(23,602,600)
Licenses and Permits.....	49,580,800	47,461,400	(2,119,400)
Fees and Services.....	118,484,100	123,994,800	5,510,700
Investments/Sinking Fund.....	31,851,000	34,416,000	2,565,000
Other Revenue.....	46,685,800	10,596,300	(36,089,500)
TOTAL PROVINCIAL OWN SOURCES	1,886,654,700	1,832,918,900	(53,735,800)
GOVERNMENT OF CANADA.....	1,321,032,200	1,318,089,400	(2,942,800)
TOTAL CURRENT REVENUE.....	3,207,686,900	3,151,008,300	(56,678,600)
Other Consolidated Agencies.....	77,038,300	76,810,000	(228,300)
Net Consolidated Surplus of Government Business Enterprises.....	58,317,300	56,598,800	(1,718,500)
TOTAL REVENUE.....	3,343,042,500	3,284,417,100	(58,625,400)

The forecasted decrease of \$58.6 million in total revenue is largely related to a reduction of \$31.1 million in sales tax due to a slowdown in growth of current and prior year adjustments to entitlements and a \$36.7 million decrease within Other Revenue due to the requirement for the fiscal year 2025-2026 Tobacco Litigation payment to be recorded in 2024-2025 Public Accounts. Additionally, there are reductions in consumption taxes including health tax on tobacco and liquor, as well as vape and cannabis tax totaling \$3.7 million, which is a continuation of the consumption trends from the previous fiscal. There are additional revenues forecasted for Fees and Services of \$5.5 million, gasoline tax of \$1.5 million, insurance premium tax of \$4.3 million, and an increase to real property tax of \$5.1 million due to continue growth in assessments and new construction.



Federal Government transfers are expected to be \$2.9 million less than Budget. Federal funding for a healthcare bilateral agreement is forecasted to decrease by \$2.0 million and infrastructure programs are anticipated to decrease by \$12.8 million due to updated project cashflows. This is partially offset by a \$12.5 million increase in Other Revenue mainly due to an anticipated increase of \$13 million in HST recoveries in 2025-2026.

Government Business Enterprises are forecasting a decrease in Net Consolidated Surplus of \$1.7 million compared to Budget, primarily because of decreased net profit from operations of the PEI Lotteries Commission and the PEI Liquor Control Commission.

Expenditure Forecast Highlights:

Total expenditures by \$124.8 million.

EXPENDITURE SUMMARY BY DEPARTMENT

	2025-2026 Budget Estimate \$	2025-2026 Fiscal Update \$	2025-2026 Budget Variance \$
PROGRAM EXPENDITURE			
Agriculture.....	24,018,500	23,519,200	(499,300)
PEI Agricultural Insurance Corporation.....	60,903,100	80,903,100	20,000,000
Economic Development, Innovation and Trade.....	977,300	950,300	(27,000)
Innovation PEI.....	72,232,800	78,677,600	6,444,800
Education and Early Years.....	117,259,700	117,259,700	-
La Commission scolaire de langue française.....	28,002,800	28,966,800	964,000
Public Schools Branch.....	322,197,100	328,792,100	6,595,000
Environment, Energy and Climate Action.....	119,331,800	121,473,200	2,141,400
Executive Council.....	12,550,800	11,897,800	(653,000)
Finance.....	94,181,100	92,147,200	(2,033,900)
Employee Benefits.....	34,438,200	33,561,700	(876,500)
General Government.....	48,332,500	61,879,700	13,547,200
PEI Public Service Commission.....	14,424,900	14,424,900	-
Fisheries, Tourism, Sport and Culture.....	21,509,800	21,509,800	-
Tourism PEI.....	33,980,500	34,447,500	467,000
Health and Wellness.....	166,370,600	170,425,300	4,054,700
Health PEI.....	1,075,263,300	1,146,163,300	70,900,000
Housing, Land and Communities.....	58,946,500	58,729,600	(216,900)
PEI Housing Corporation.....	76,218,600	76,360,600	142,000
Justice and Public Safety.....	92,698,400	93,204,100	505,700
Social Development and Seniors.....	217,705,700	231,492,300	13,786,600
Transportation and Infrastructure.....	232,735,800	223,455,400	(9,280,400)
Workforce, Advanced Learning and Population.....	183,565,700	179,266,700	(4,299,000)
Employment Development Agency.....	7,411,800	7,411,800	-
PEI Student Financial Assistance Corporation.....	16,736,100	16,436,100	(300,000)
Legislative Assembly.....	15,187,300	15,187,300	-
Other Consolidated Agencies.....	64,487,900	65,894,800	1,406,900
TOTAL PROGRAM EXPENDITURE.....	3,211,668,600	3,334,437,900	122,769,300
Interest Charges on Debt.....	169,652,800	171,188,400	1,535,600
Amortization and Accretion.....	145,658,800	146,200,000	541,200
TOTAL EXPENDITURE.....	3,526,980,200	3,651,826,300	124,846,100

Expenditure Summary by Department Supplementary Information:

Health PEI is forecasting an increase in expenditures of \$70.9 million for their Operating Budget. Expenditure pressures affecting Health PEI include additional costs due to utilization in out-of-province health services, Self-Managed Care program, increases for food and supplies, and funding for staffing and collective agreement settlements. These are partially offset by decreases in overall compensation due to recruitment challenges for staffing new and existing services and programs.

PEI Agricultural Insurance Corporation is anticipating an increase in expenditures of \$20 million compared to Budget. This is due to an anticipated increase in insurance claims resulting from lower yields on crops such as soybeans and potatoes due to a difficult growing season.

The Department of Social Development and Seniors is anticipating an increase in expenditures of \$13.8 million compared to Budget. Most of this increase is due to cost and volume increases in the Accessibility Support and Social Assistance Programs, totaling \$11.9 million. Additionally, the Department is forecasting an expenditure increase of \$2.2 million for group homes.

General Government is forecasting to be overbudget by \$13.5 mainly due to the anticipated cost of collective agreement settlements.

Public Schools Branch and La Commission scolaire de langue française are forecasting a combined \$7.6 million increase resulting from costs for existing and additional staffing supports including Educational Assistant and EAL/FAL positions, and Speech Language Pathologists, as well as increased operational costs for school heating/maintenance.

Innovation PEI is projecting to spend an additional \$6.4 million compared to Budget primarily due to the Tax Incentives Program for the aerospace industry. The increase is the result of higher than anticipated corporate tax returns in the prior fiscal year.

The Department of Health and Wellness is forecasting to be overbudget by \$4 million due to the Practice Ready Assessment program, Canadian Blood Services funding, Emergency Health Services Agreement and Pharmacare.

The Department of Transportation and Infrastructure is forecasting a decrease in expenditures of \$9.3 million primarily due to timing of projects under the Federal Investing in Canada Infrastructure Program of \$10.2 million (offsetting revenue reductions of \$12.6 million). This is partially offset by increases in road safety and maintenance cost increases of \$2.0 million.

The Department of Workforce, Advanced Learning and Population is forecasting a decrease in expenditure of \$4.3 million primarily due to delays in hiring and lower-than-anticipated debt servicing costs for the UPEI Medical School.

Government Business Enterprises:

The Net Consolidated Surplus from Government Business Entities is forecast to be reduced by \$1.7 million from Budget Estimates. This is primarily a result of decreased lottery revenues forecast by the PEI Lotteries Commission and decreased revenue from the PEI Liquor Control Commission.

NET CONSOLIDATED SURPLUS OF GOVERNMENT BUSINESS ENTERPRISES

	2025-2026 Budget Estimate	2025-2026 Fiscal Update	2025-2026 Budget Variance
	\$	\$	\$
Government Business Enterprises			
Charlottetown Area Development Corporation (Note).....	1,137,600	1,137,600	-
Island Investment Development Inc.....	9,597,700	9,597,700	-
Island Waste Management Corporation.....	95,300	285,200	189,900
Prince Edward Island Cannabis Management Corporation.....	2,390,400	2,285,100	(105,300)
Prince Edward Island Energy Corporation.....	3,616,800	3,626,200	9,400
Prince Edward Island Liquor Control Commission.....	22,659,000	21,794,000	(865,000)
Prince Edward Island Lotteries Commission.....	18,820,500	17,873,000	(947,500)
NET CONSOLIDATED SURPLUS			
OF GOVERNMENT BUSINESS ENTERPRISES	58,317,300	56,598,800	(1,718,500)

Note: Budget Estimate and Forecast include 83% of the total surplus of the Charlottetown Area Development Corporation.

Net Debt:

Net debt is one of the key indicators used to measure the Province's relative financial position. It represents the amount of future cash flow required to pay for past transactions.

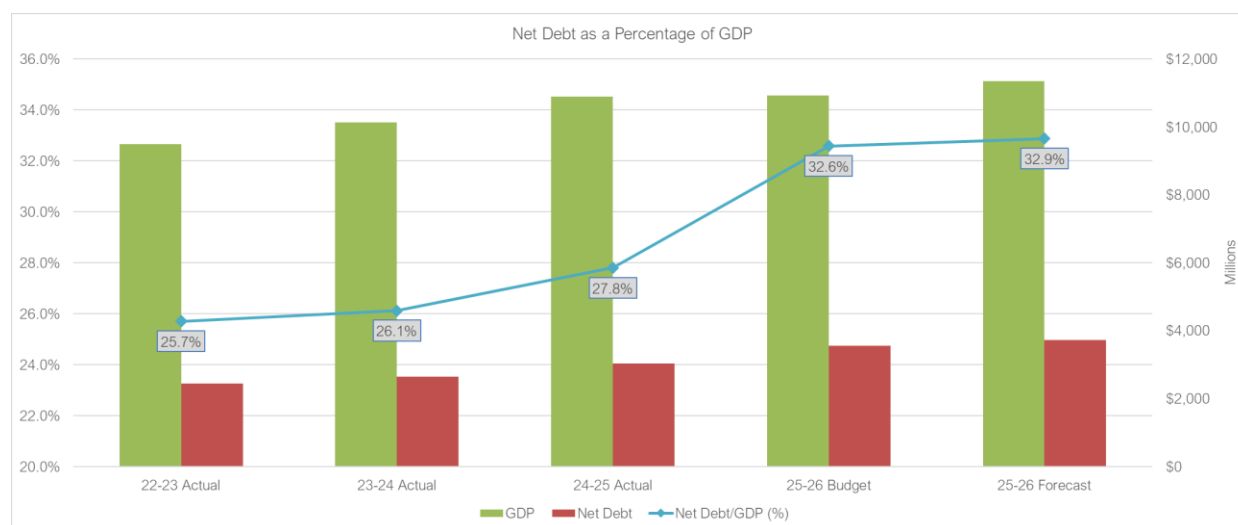
SCHEDULE OF NET DEBT

(Millions)	2025-2026 Budget Estimate \$	2025-2026 Fiscal Update \$	2025-2026 Budget Variance \$
NET DEBT - BEGINNING OF YEAR.....	3,039.8	3,027.8	(12.0)
Deficit.....	184.0	367.4	183.4
Acquisition of Tangible Capital Assets.....	482.6	484.2	1.6
Amortization.....	(144.5)	(145.1)	(0.6)
Increase in Net Debt.....	522.1	706.5	184.4
NET DEBT - END OF YEAR.....	3,561.9	3,734.3	172.4

Note: Net Debt for the beginning of the year was revised to reflect the closing net debt recorded in the 2024-25 audited financial statements

A determination of anticipated net debt was included in the 2025-2026 Operating Budget Estimates and was based on financial information at that time. The significant factors that lead to changes in net debt are deficits or surpluses incurred and net investments in capital assets. The forecast for net debt at the end of the current fiscal year is expected to increase by \$172.4 million compared to net debt expected in the 2025-2026 Budget.

The changes are primarily related to a higher projected net deficit in 2025-2026 and also a small increase to forecasted acquisition of Tangible Capital Assets by \$1.6 million reflected in the Fall 2025 Capital Budget.





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