

Highlights of the Prince Edward Island Economy

- As of July 1, 2016, Prince Edward Island's population is estimated to be 148,649, an increase of 1.3 per cent over 2015, the fastest growth in the Atlantic region and exceeding the national average.
- Average weekly earnings have increased 2.3 per cent on a year-to-date basis through August.
- Total labour income on the Island, through the second quarter of 2016, grew by 4.2 per cent on a year-to-date basis, the fastest growth in the country.
- Employment on Prince Edward Island averaged 71,500 on a year-to-date basis through October, a decrease of 2.3 per cent from the same period in 2015.
- On a year-to-date basis through September, consumer prices have increased by 1.0 per cent.
- On a seasonally adjusted basis through August, retail sales have advanced 5.8 per cent, the fastest growth in the region.
- The value of new motor vehicle sales has increased 14.5 per cent on a year-to-date basis through August, while the volume of new motor vehicles sold has increased by 11.2 per cent.
- Through the first three quarters of 2016, housing starts have increased 19.3 per cent, compared to the same period last year.
- On a year-to-date basis through August, the value of manufacturing shipments has increased 2.4 per cent.
- On a year-to-date basis through September, international exports are up 0.4 per cent.
- Tourism has been positive on the Island on a year-to-date basis through August. Information from the department of Economic Development and Tourism indicates that total overnight stays on the Island have increased by 11 per cent on a year-to-date basis.
- The average of private sector forecasts for real GDP for the Island in 2016 is 1.3 per cent.

Introduction

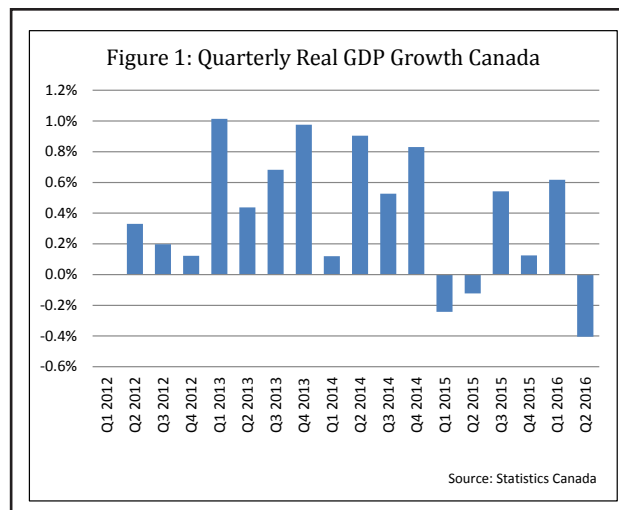
The following document is an update to the economic situation of the Province of Prince Edward Island since the release of the 2016 Budget. This release begins with a discussion of the international and national economic context, and follows with a detailed discussion of the Island's economic indicators, including the labour force, exports, consumer prices, primary industries, population and construction. All information in this document is current to November 9, 2016.

International and National Economic Context

Global economic activity in 2016 is projected to be modest. The pace of growth in advanced economies is projected to slow in 2016, before recovering slightly in 2017. In emerging economies, the pace of growth is projected to accelerate in both 2016 and 2017, after several years of slowing growth. According to the International Monetary Fund (IMF), global real gross domestic product (GDP) is projected to expand by 3.1 per cent in 2016, with growth in advanced economies expanding by 1.6 per cent and growth in emerging market economies expanding by 4.2 per cent. The transitioning global economy with lower oil and commodity prices, a slowdown and re-orientation of the Chinese economy, a worldwide decline in the terms of trade, and the continued fallout from the UK referendum on leaving the European Union – both economic and geopolitical – have impacted, and will continue to impact the global economy going forward.

The economic situation in the United States continues to improve. Though the pace of expansion was somewhat subdued through the first half of 2016, with real GDP expanding by 0.8 per cent in the first quarter, and by 1.4 per cent in the second quarter at annualized rates, growth in the third quarter has accelerated to 2.9 per cent, the fastest rate of growth since the third quarter of 2014. The number of employed people has increased by 1.8 per cent on a year-to-date basis through September, while the unemployment rate averaged 4.9 per cent over this time period, a decline of 0.5 percentage points from the same period in 2015. In December of 2015, the United States Federal Reserve increased the federal funds rate to between $\frac{1}{4}$ and $\frac{1}{2}$ percent, where it currently remains. The normalization of American monetary policy is likely to proceed at a slower pace than was anticipated at this time last year due to conflicting economic factors weighing down certain sectors of the American economy.

As can be seen in Figure 1, quarterly real GDP growth has been volatile in Canada so far in 2016. Real GDP increased by 0.6 per cent in the first quarter, before contracting by 0.4 per cent in the second quarter. The 0.4 per cent contraction in the second quarter of 2016 was the largest contraction in quarterly GDP since the second quarter of 2009. This large decline can be mostly attributed to the disruption caused to petroleum production by the wildfires in Fort McMurray, Alberta. Excluding their impact, real GDP grew by 0.1 per cent in the second quarter.



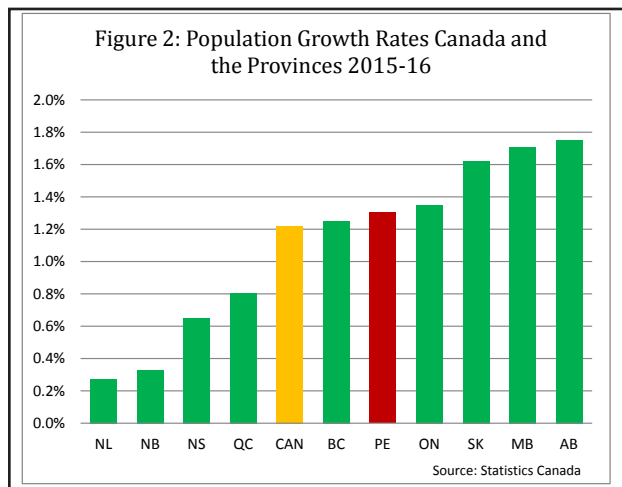
On an industry basis, the Canadian economy is showing signs of improvement. GDP by industry has been growing since June, and is up 1.3 per cent on a year to date basis through August. Notable gains over this period occurred in real estate rental and leasing, up 3.2 per cent, finance and insurance, up 3.8 per cent, and retail trade, up 3.4 per cent. Notable losses occurred in construction, mining, and other services, down 3.7, 2.2 and 1.0 per cent respectively.

The Bank of Canada began lowering its target for the overnight rate in January 2015 as a precaution against the effects of a fall in oil prices, and then further lowered the target rate to 0.5 per cent in July of 2015, where it remains, due to the persistent weakness in the Canadian economy. It is unlikely that the target for the overnight rate will be increased in the near future. In its 2016 Fall Economic Statement, the Government of Canada has revised down its real GDP forecast to 1.2 per cent for 2016, and 2.0 per cent in 2017, in both instances a downward revision of 0.2 percentage points from Budget 2016. The downward revisions stem largely from the continued adjustment of the economy to low oil and commodity prices, as well as the impact of slower growth in the world economy.

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, with GDP expanding by 1.3 per cent in 2015, a faster pace than the 0.9 per cent expansion nationally. Amongst the provinces and territories, GDP growth ranged from a high of 3.3 per cent in British Columbia, to a decline of 6 per cent in the Yukon. On the Island in 2015, higher household final consumption expenditure, up 2.3 per cent, contributed the most to the economic growth. Business gross fixed capital formation decreased by 1.0 per cent due largely to declines in investment in non-residential structures and machinery and equipment.

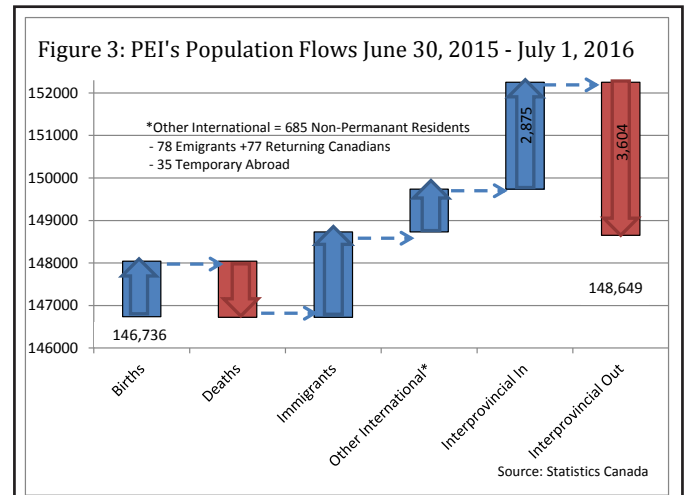
PEI's trade balance improved by \$63 million in 2015, contributing 0.4 per cent to growth. A \$150 million increase in exports put the total value to now exceed \$3 billion, a new record. The trade deficit has been reduced by over a quarter billion dollars or by 20% since the peak in 2008.



Population and Immigration

On September 28, 2016 Statistics Canada published its preliminary provincial population data for July 1, 2016. As of July 1, 2016, Prince Edward Island's population is estimated to be 148,649. This represents a yearly increase of 1,913 persons or a 1.3 per cent annual growth rate. This compares to a national growth rate of 1.2 per cent, and the first time the province has exceeded the national population growth rate since 2011. Prince Edward Island once again recorded the fastest population growth in the Atlantic region, with Nova Scotia's population growing at 0.6 per cent, and New Brunswick and Newfoundland and Labrador both growing at 0.3 per cent. Figure 2 shows the population growth rates of the provinces and territories for 2015-16.

International migration remains an important factor in population growth for PEI. After a decrease of 4.4 per cent in 2014-15 international immigration rebounded in 2015-16, increasing by 50.0 per cent. At a rate of 13.6 per thousand, the province had the highest immigration rate in the country, tied with Alberta. The immigration rate for Canada was 8.9 per thousand. In addition, other international migration resulted in a net increase of 649 persons. This results in a total increase of 2,657 due to international migration, which is close to the record of 2,689 seen in 2010-11.



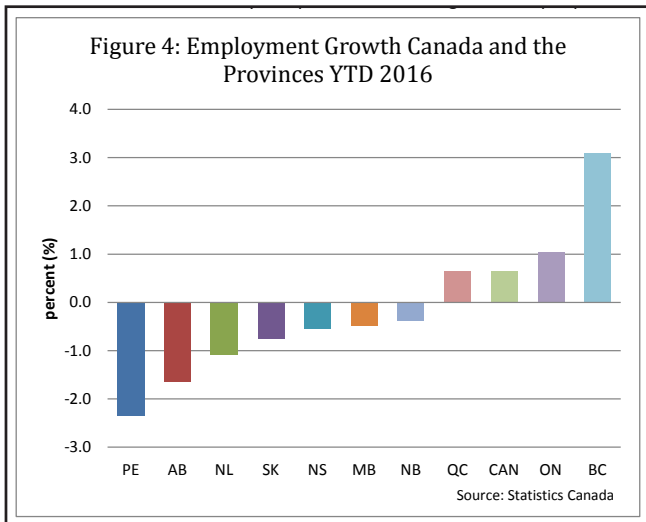
A total of 2,875 inter-provincial migrants came to PEI in 2015-16, while 3,604 people left the province for other areas of Canada for a net interprovincial loss of 729 persons. There were 1,306 births and 1,321 deaths on Prince Edward Island from July 1, 2015 to June 30, 2016, resulting in negative natural growth (births minus deaths) for the first time on record. Figure 3 shows the population flows that contributed to PEI's population.

Though the Island's population is growing, it is also ageing. The median age on Prince Edward Island on July 1, 2016 was 43.9, a rise of 0.1 over 2015. The median age in 2006 was 40.3 and 34.7 in 1996. Since 1971, the median age has risen by 19.1 years, from 24.8 to 43.9. The population of the Island over age 45 has increased by 23.1 per cent since 2006, while the population under age 45 has declined by 3.5 per cent over the same time period. This demographic change is now happening at an accelerating pace, and can be seen feeding through the broader economy, especially in terms of consumption, housing and the labour market.

Employment

On a year-to-date basis through October, the majority of the Island's major labour market indicators continue to trend down. According to the Labour Force Survey (LFS), employment on Prince Edward Island averaged 71,500 on a year-to-date basis through October, a decrease of 2.3 per cent from the same period in 2015. Through October, there has been a contraction in both full-time and part-time employment, by 2.3 and 2.8 per cent respectively. As can be seen in Figure 4, employment growth to date has been strongest in British Columbia, Ontario and Quebec, while all other provinces have seen employment declines through this period. Nationally, employment has grown by 0.6 per cent through October.

The labour force on the Island has contracted by 2.0 per cent to average 80,200 people. The participation rate



has averaged 65.9 per cent, down 1.8 percentage points from the same period in 2015. Even with this decline in the participation rate, Prince Edward Island continues to have the fourth highest participation rate amongst provinces behind Alberta, Saskatchewan and Manitoba over this period. The unemployment rate has averaged 10.9 per cent year-to-date, up 0.4 percentage points from the same period one year ago. Nationally, the unemployment rate averaged 7.0 per cent over this time period.

Table 1:

Employment by Industry Prince Edward Island YTD October				
	2015 YTD	2016 YTD	percentage change	total change
	persons unless specified			
Goods Producing Sectors	17.3	16.6	-3.8%	-0.7
<i>Agriculture</i>	3.2	3.2	-2.2%	-0.1
<i>Other Primary Industries</i>	2.5	2.4	-2.0%	0.0
<i>Utilities</i>	0.4	0.4	-5.4%	0.0
<i>Manufacturing</i>	5.9	6.1	2.2%	0.1
<i>Construction</i>	5.3	4.7	-11.5%	-0.6
Service Producing Sector	55.9	54.9	-1.9%	-1.1
<i>Trade</i>	11.0	10.3	-6.6%	-0.7
<i>Transportation and Warehousing</i>	2.6	2.5	-6.1%	-0.2
<i>Finance, Insurance and Real Estate</i>	2.5	2.6	6.9%	0.2
<i>Professional, Scientific and Technical Services</i>	3.0	3.7	23.2%	0.7
<i>Management, Administrative and Other Support Services</i>	2.5	2.3	-6.9%	-0.2
<i>Educational Services</i>	5.3	5.1	-3.8%	-0.2
<i>Health Care and Social Assistance</i>	9.9	10.1	2.4%	0.2
<i>Public Administration</i>	7.5	6.8	-8.9%	-0.7
<i>Information, Culture and Recreation</i>	2.4	2.5	2.9%	0.1
<i>Accommodation and Food Services</i>	5.9	5.9	0.9%	0.0
<i>Other Services</i>	3.5	3.1	-10.7%	-0.4

Source: Statistics Canada

On an industry basis on the Island, employment in the goods sector declined 3.8 per cent through October. Gains in manufacturing were not enough to offset losses in agriculture, utilities, other primary industries, and construction. Through October, manufacturing has been

the largest employer in the goods producing sector, with employment averaging 6,100 to date. Nationally, the goods sector has contracted 0.7 per cent over this time period.

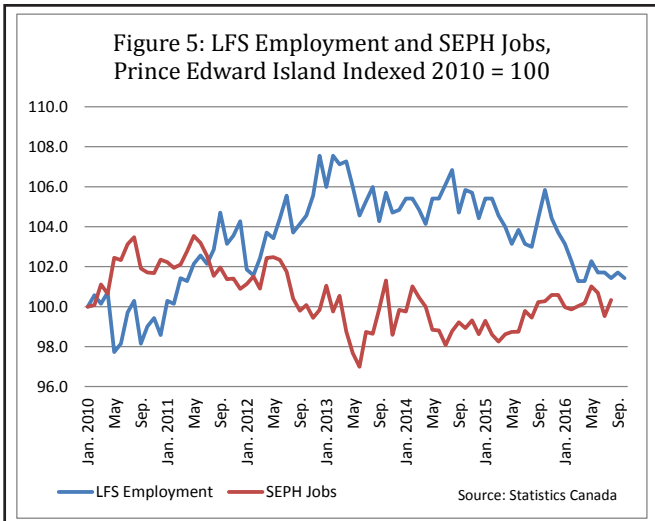
Employment in the service sector has declined 1.9 per cent through October. Notable gains to date have occurred in professional, scientific and technical services, health care and social assistance, and accommodation and food services, while notable declines occurred in wholesale/retail trade, public administration and other services. On a year-to-date basis through October, retail/wholesale trade continues to be the largest employer on the Island, averaging 10,300, followed closely by health and social assistance, averaging 10,100 people. Nationally, the service sector has grown by 1.0 per cent over this time period. See Table 1 for more details concerning employment by industry on the Island.

According to the Survey of Employment, Payroll and Hours (SEPH), the number of jobs on the Island has increased 1.3 per cent on a year-to-date basis through August. The number of jobs has increased in both the goods producing industries, up 1.6 per cent, and in service producing industries, up 0.4 per cent. Over the last number of years, the LFS employment series and

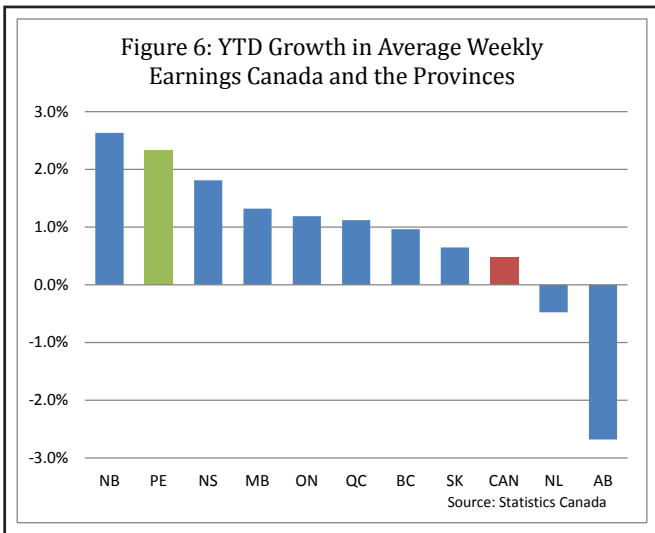
the SEPH industrial aggregate jobs series have been largely tending in opposite directions, with the LFS showing an overall declining trend in employment, and the SEPH showing job gains. Recently these series have begun to track more closely together, as can be seen in Figure 5, and are only marginally higher than the employment and job rated observed in 2010.

Average weekly earnings have increased 2.3 per cent on a year-to-date basis through August. As can be seen in Figure 6, average weekly earnings have grown in all provinces through August, except for Alberta, and Newfoundland and Labrador, with growth being strongest in the Maritime region. Average weekly earnings on the Island have grown by 1.4 per cent in the service sector, led by a 10 per cent gain in finance and insurance, and by 7.7 per cent in the goods sector, led by growth in manufacturing. Though Prince

Edward Island has recorded strong growth in average weekly earnings so far in 2016, the Island, at an average weekly wage rate of \$815, still had the lowest average weekly earnings in the country through August. For



Canada as a whole, average weekly earnings have increased 0.5 per cent on a year-to-date basis through August. Total labour income on the Island, through the second quarter of 2016, grew by 4.2 per cent on a year-to-date basis, the fastest in the country.



Consumer Prices

On a year-to-date basis through September, consumer prices have increased by 1.0 per cent. Food inflation has increased by 4.1 per cent on a year-to-date basis, while shelter inflation and energy inflation have decreased 0.8 per cent and 8.6 per cent respectively. Prices for gasoline and household heating fuel continue to fall, and are 10.4 per cent and 16.9 per cent lower on a year-to-date basis through September as compared to the same period in 2015. As Prince Edward Island is relatively more dependent on oil for heating than other parts of the country, energy commodities have a larger weight in the province's CPI basket, with the result being the large impact on inflation seen so far this year. Absent energy, consumer prices have increased 2.3 per cent over this time period.

Core inflation on the Island (the measure of inflation excluding volatile components such as food and energy) has increased 1.9 per cent through September. Nationally, inflation has increased 1.4 per cent over this time period.

Retail Trade and Motor Vehicle Sales

Strong domestic demand, wage growth and an impressive tourism season are contributing to strong growth in retail sales so far through 2016. On a seasonally adjusted basis through August, retail sales have advanced a healthy 5.8 per cent, the second-fastest growth amongst provinces. Retail sales growth ranged from a high of 6.4 per cent in British Columbia, to a decline of 2.2 per cent in Alberta over this period. Through August, Island retail sales have been the fastest growing in the region, with sales advancing by 1.5 per cent in Newfoundland and Labrador, by 4.4 per cent in Nova Scotia and by 4.3 per cent in New Brunswick. Nationally, retail sales increased 3.8 per cent over this time period.

On an unadjusted basis through August, retail sales on the Island have been driven by the strong growth in motor vehicles and parts. Growth in sales from furniture and home furnishing stores, building material and garden equipment and supplies dealers, is resulting from a strong increase in population and housing starts. Health and personal care stores, and clothing and clothing accessory stores also have contribute to sales over this time period. Food and beverage stores, electronics and appliance stores, and sales at gasoline stations have detracted from growth over this time period.

The value of new motor vehicle sales has increased 14.5 per cent on a year-to-date basis through August, while the volume of new motor vehicles sold has increased by 11.2 per cent. Commercial vehicles continue to be driving the growth in vehicle sales. Nationally, the volume of new motor vehicles sold has increased 3.3 per cent, while their value has increased 6.6 per cent over this time period.

Construction and Housing

After facing challenges over the last number of years, construction on the Island is seeing an improvement. This improvement stems from several sources. On the residential side, the increase in the number of persons coming to the Island is having an impact on housing demand, both for new construction and resale. On the non-residential and engineering construction side, increased spending for infrastructure projects by all levels of government, as well as some improvements to industrial capacity are driving growth.

Building Permits

On a year-to-date basis through September, total building permits have increased by 13.8 per cent. Non-residential permits have increased 11.4 per cent due to increases in industrial and commercial permits of 25.1 per cent and 15.6 per cent respectively. Government and institutional permits have decreased by 10.6 per cent. Residential permits have increased 15.4 per cent over this timeframe. Nationally building permits through September have declined 3.7 per cent, with declines occurring in both residential and non-residential components.

Housing Starts

Through the first three quarters of 2016, housing starts have increased 19.3 per cent, compared to the same period last year. The number of starts to date has totaled 469, compared to the 393 starts recorded over the same period last year. Gains were recorded in both the single-detached and multi-unit segments, up 4.8 and 39.4 per cent respectively. Nationally, housing starts advanced 1.1 per cent over this time period. Growth ranged from a high of 39.5 per cent in British Columbia to a decline of 27.9 per cent in Alberta.

Residential Investment

The total value of residential investment has declined 10.3 per cent through the second quarter of 2016, as compared to the same period in 2015. Investments in renovations and single detached housing, the two largest components of residential investment have declined by 21.7 and 10.7 per cent respectively. Nationally, residential investment increased 3.1 per cent over this time period. Growth ranged from a decline of 16.9 per cent in Nova Scotia to an expansion of 13.2 per cent in British Columbia. It is expected that the value of residential investment will increase in the second half of 2016, following the rising trend in building permits and housing starts.

Capital Investment Intentions

Capital investment intentions are projected to advance 16.2 per cent in 2016. The increase in capital spending intentions is due to both increased spending on construction and machinery and equipment, up 10.2 per cent and 22.7 per cent respectively. The increase in capital investment is being driven by the public sector, as public capital intentions are projected to advance 46.9 per cent in 2016, while private investment intentions are expected to decrease by 1.5 per cent. The large increase in public investment intentions, particularly in machinery and equipment, is due to the installation of the new electric cables between the province and New Brunswick in the fourth quarter of 2016.

Non-residential Investment

Through the first three quarters of 2016, non-residential investment has increased by 16.6 per cent compared to the same period in 2015, the fastest growth amongst provinces. Both industrial and government and institutional investment have increased by 146.9 per cent and 0.6 per cent respectively, while commercial investment has declined by 4.6 per cent. Nationally, non-residential investment has declined 2.4 per cent over this time period. Figure 7 shows year-to-date growth in non-residential investment. Growth ranged from a high of 16.6 per cent in Prince Edward Island, to a decline of 33.5 per cent in Newfoundland and Labrador.

Primary Industries

Fishing

According to the Department of Agriculture and Fisheries, landings in the spring fishery – the larger of the fisheries on the Island – totaled 10.7 million kilograms. This was down 13.5 per cent compared to 2015, which was a record season. However, due to strong prices, the landed value of the lobster saw an increase of 22 per cent over 2015 to total \$148 million. Preliminary estimates of the fall lobster fishery, recently ended, has seen both improved prices and increased landings compared to 2015.

Farming

Farm cash receipts through the first quarter of 2016 totaled \$126.9 million, an increase of 3.5 per cent compared to the first quarter of 2015. Crop receipts are up 12.1 per cent due to an increase in potato receipts of 15 per cent, while livestock receipts are down 10.6 per cent.

Farm product prices, through September, have largely been lower than those recorded in 2015, with prices for wheat, oats, barley and soybeans down 4.0 per cent, 6.8 per cent, 18.4 per cent and 0.7 per cent respectively. Planted potato acreage was down by 500 acres in 2016 to 89,000 acres. Harvesting of the potato crop is still ongoing.

Livestock prices have not fared any better than crops. Prices for slaughter cattle and calves are down 21.8 per cent and 28 per cent respectively, the price for slaughter lambs down 2.8 per cent, and the prices for feeder cattle and calves are down 22.5 and 28.1 per cent respectively. Over this time period, hog prices decreased 0.9 per cent. The price for chickens and milk were down 2.0 per cent and 1.0 per cent on a year to date basis through September, while the price of eggs increased 0.8 per cent over this time period.

Tourism

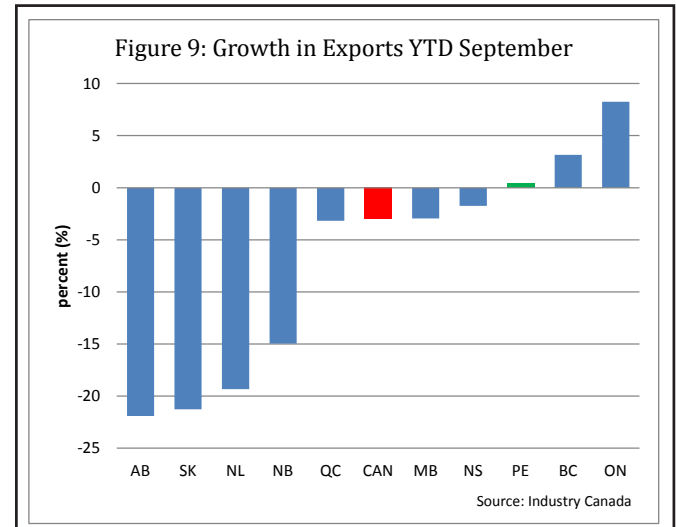
Tourism has been positive on the Island on a year-to-date basis through September. Information from the department of Economic Development and Tourism indicates that total overnight stays on the Island have increased by 11 per cent on a year-to-date basis through September. At fixed roof accommodations, the number of room nights sold has increased by 11.1 per cent, while the occupancy rate has increased by 4.8 percentage points. At campgrounds, the number of site nights sold has increased by 10.7 per cent, while the occupancy rate has increased by 1.2 per cent. Traffic to the Island via the Confederation Bridge has increased 11.3 per cent year-to-date, while air traffic has increased by 14 per cent. Ferry traffic has declined by 14 per cent year-to-date, due largely to a reduction in service caused by mechanical issues that left one ferry out of commission until October. The number of cruise ship visits through September is down by 14.7 per cent. Fewer cruise ships are scheduled to visit the Island this year, 58 versus 73 in 2015. The number of motorcoach visits has increased by 28.5 per cent over this time period.

On a seasonally adjusted basis through August, sales at food services and drinking places have advanced 3.9 per cent. Nationally, sales at food services and drinking places have grown by 6.6 per cent over this time period.

Manufacturing Shipments and Exports

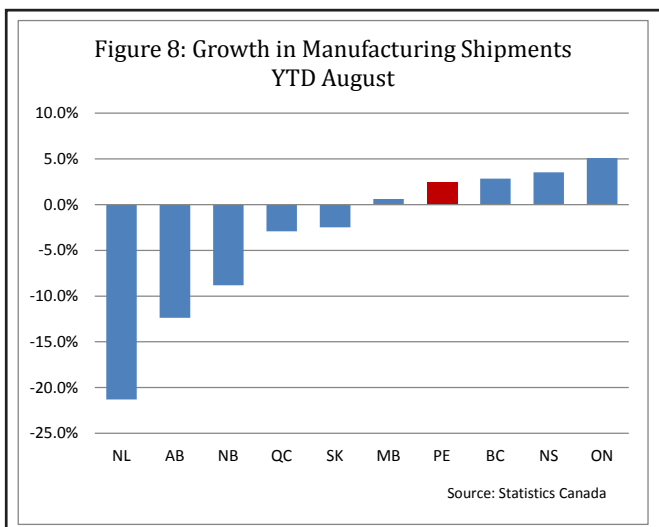
On a year-to-date basis through August, the value of seasonally adjusted manufacturing shipments has increased 2.4 per cent. Growth was recorded in both the durable and non-durable goods sectors at 5.9 and 0.9 per cent respectively. Non-durable goods, largely composed of food and seafood shipments, represent approximately 2/3 of the Island's manufacturing shipments, while durable goods are responsible for the remaining 1/3. Amongst provinces, growth in manufacturing shipments ranged from a decline of

21.3 per cent in Newfoundland and Labrador, to growth of 5.1 per cent in Ontario, as can be seen in Figure 8. Continued low prices for resources, especially oil, continue to plague the manufacturing shipments of the more resource dependent provinces. Nationally, manufacturing shipments have shown no growth over this time period.

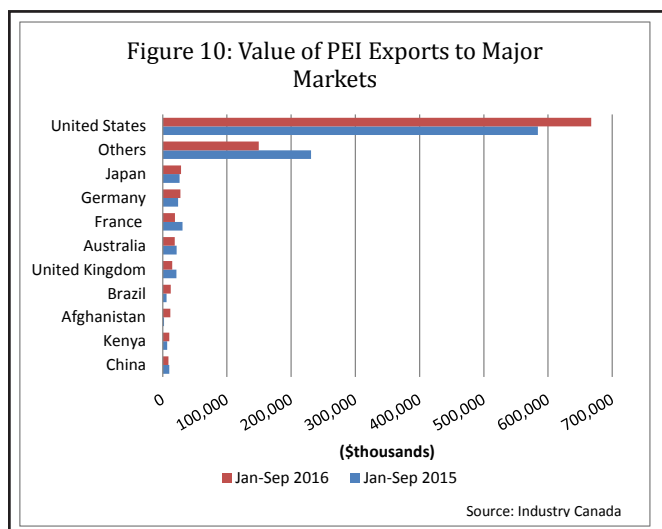


On a year-to-date basis through September, international exports are up 0.4 per cent. Through September, Ontario has seen the fastest growth in international exports, up 8.3 per cent, followed by British Columbia at 2.9 per cent, and then Prince Edward Island; all other provinces have recorded declines in international trade over this time period. Nationally international exports have declined 3.0 per cent through September. Of the major export industries on the Island, traditional industries have been performing well so far in 2016. Frozen food manufacturing is up 8.9 per cent, and seafood product preparation and packaging is up 11.6 per cent on a year-to-date basis through September; these industries continue to be our largest exports. Vegetable and melon farming has increased 4.6 per cent year-to-date, while aquaculture has increased 16.1 per cent over this time period. Of the Island's main primary sector exports, only fishing has shown a decline year-to-date, down 7.3 per cent.

Aerospace exports have been mixed on a year-to-date basis through September, with aerospace product and parts manufacturing up 3.9 per cent and engine, turbine and power transmission equipment manufacturing down 10.4 per cent. Bioscience exports are mixed with pharmaceutical and medicine manufacturing up 3.7 per cent, while other basic organic chemical manufacturing has declined 10.8 per cent on a year-to-date basis through September. Paperboard and container manufacturing continues to expand on the Island, and is now the Island's 10th largest export industry, and has grown 24.5 per cent year-to-date.



The United States continues to be the destination of the majority of the Island's exports, with 69 per cent of the Islands exports heading there through September. This is an increase of 14.3 per cent over the same period in 2015. Trade with South Korea has fallen out of the province's top ten export destinations, due to the completion of a multi-year contract in that country, resulting in exports contracting 89.2 per cent on a year-to-date basis through September. This is part of the reason behind the 35 per cent decline in trade with other countries outside of the Island's top-ten over this time period, as can be seen in Figure 10.



Private Sector Forecasts

Below, in Table 2, are the forecasts for real GDP growth for the Island from Canada's major banks and two think tanks. Forecasts for 2016 fall in a range of 0.8 per cent growth to 1.7 per cent growth, averaging 1.3 per cent, while forecasts for 2017 range from 0.7 per cent growth to 1.8 per cent growth, averaging 1.2 per cent. Forecasts have been revised down since the 2016 Budget, where growth was forecast at 1.4 per cent for both 2016 and 2017. Weak labour force indicators and slower growth in manufacturing shipments and exports are weighing negatively on the economic growth forecasts for the Island.

Table 2:

Private Sector Forecasts			
Organization	Real GDP (% growth)		Date Issued
	2016f	2017f	
Conference Board of Canada	1.7%	1.8%	Summer 2016
TD Bank	1.7%	1.6%	29-Sept
RBC	1.1%	0.8%	16-Sept
CIBC	0.8%	0.7%	7-Sept
BMO	1.0%	0.9%	4-Nov
Scotiabank	1.2%	1.3%	17-Oct
National Bank	1.3%	1.2%	November 2016
Atlantic Provinces Economic Council	1.5%	1.4%	Fall 2016
Average	1.3%	1.2%	

Outlook 2017

According to the IMF, the outlook for the global economy in 2017 is to grow by 3.4 per cent, faster than in 2016, but revised down from April projections due largely to slowing growth prospects in advanced economies. The Bank of Canada also revised down its forecast for the Canadian economy in 2017 from 2.2 per cent in July to 2.0 per cent in October, identical to the downward revision in the federal 2016 Fall Economic Statement.

Prince Edward Island has benefitted over the last number of years from modest, stable growth in real GDP, a trend that is expected to continue through the end of 2016 and into 2017. Due to the mix of industries found on the Island, the Island economy has been more stable than other parts of the country, and the province has been able to benefit both from the depreciation in the Canadian dollar and the lower price of oil that have become the new normal for the last number of years. However Prince Edward Island is not immune to the constant downward revisions to both global and Canadian economic growth, as the factors for these revisions, such as the decrease in volume of international trade, also affect the Island economy.

Prince Edward Island should continue to benefit from strong international in-migration in 2017. Continued strong immigration through the provincial nominee streams should result in an additional 2,600 immigrants coming to the Island in 2017. In addition to this, the province is open to accepting additional refugees. This continued in-migration will continue to help boost domestic demand through 2017 and beyond, and higher retention rates should help the Island's population to continue to grow through the medium term.

The Atlantic Growth Strategy, a collaborative effort between the government of Canada and the four Atlantic Provinces focusing on areas of immigration, innovation, clean growth and climate change, trade and investment and infrastructure should continue to have positive impacts on the province in 2017. This program will increase the number of immigrants to the region over and above existing programs, resulting in the projection of 2,600 immigrants to the Island functioning as a floor for new arrivals in 2017.

Demographic factors will continue to impact the Island's labour force as the population continues to age. Even with increased labour force participation at older age groups, and the increases in immigration projected through the medium term, the Island's core-aged working population is still projected to contract. The

construction sector should be well supported through the medium term as increased population growth will lead to an increase in households, and a necessity for new housing. It is likely that the Island will exceed CMHC's 'high' housing start forecast for 2016, as it would be necessary to go back to 1997 to find a fourth quarter where fewer than 111 houses were started. CMHC forecasts for 2017 range from a low of 575 units to a high of 625 units. The rental vacancy rate for 2016 is forecast to be 3.6 per cent and is projected to decrease further to 3.4 per cent in 2017. In order to accommodate the increased population that is projected, it is likely that building forecasts will have to surpass the CMHC forecast in 2017.

Non-residential construction and engineering construction should continue to expand through 2017, largely through an increase in public sector infrastructure projects including the continued construction of the Cornwall bypass. Increased federal infrastructure, as outlined in Budget 2016, in addition to new infrastructure spending commitments announced in the federal 2016 Fall Economic Statement, could also provide some additional upside to the construction sector in 2017 and beyond.

The primary sectors of the economy should continue to positively contribute to economic growth as they benefit from the lower value of the Canadian dollar and the low price of oil. However, due to a decrease in volumes for some of the Island's key primary sector resources, real GDP will be negatively impacted even though prices have improved in nominal terms. Continued crop diversification on the Island, most recently toward pulses, and the potential for an increase in value-added manufacturing as a result, as well as the Amalgamated Dairies expansion for an increase in cheese production bode well for Island agriculture in 2017. The expansion of Atlantic Beef Products into Sobeys stores should also benefit the plant and the farmers that supply product to this industry in 2017 and beyond.

Tourism should continue to be a positive through 2017, as Canada celebrates 150 years of Confederation. Several events are planned for Charlottetown throughout the year, and the Island should benefit from the overall expected increase in Canadian tourism surrounding this milestone. Expansions in productive capacity in some of the Island's emerging sectors, such as aerospace, chemicals and marine technology, coupled with new contracts and clients should aid in sustaining and growing manufacturing shipments and exports in 2017 and going forward.

Risks to the outlook stem largely from events beyond the province's control. The continued deceleration in global trade could further impact the Island's export industries. Continued fallout from the UK referendum to leave the European Union, and the impact of the US presidential election on several international agreements including the Trans-Pacific Partnership (TPP), the North American Free Trade Agreement (NAFTA), and the Paris Climate Accord could further weigh on the Island's export prospects in 2017 and going forward.

Domestically, the volatility of the Canadian dollar, the price of oil, high levels of Canadian household debt, and the impact of reforms to the housing sector provide risk to the outlook. Closer to home, risks stem from an inability to meet the demand that is expected to come from the new arrivals to the Island, resulting in lost opportunity as people choose to leave. Also failures to increase the productive capacity of Island industries so that the volume of goods and services produced continues to expand quickly enough to take advantage of new opportunities could be detrimental to labour, shipments and exports in the near to medium term.