

# The Employment Journey on PEI

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## Atlantic Canada's economic recovery from COVID-19

by Heidi Riley

The Atlantic Provinces Economic Council (APEC) held a series of virtual seminars in November to discuss the economic implications of the measures put in place in Atlantic Canada as a result of COVID-19.

"We have never seen an economic contraction this big or this fast," says **David Chaundy**, APEC's President and CEO.

The main message is that a full Atlantic recovery will take time as some sectors struggle. According to APEC's annual **Atlantic Economic Outlook**, Atlantic Canada's GDP will grow by three percent in 2021. A recovery in global markets will boost merchandise exports. However, a rebound in tourism revenues depends upon an easing of travel and border restrictions.

"PEI was not hit quite as hard as the other Canadian provinces, because PEI had fewer cases of COVID-19 and was able to re-open sooner," says David.

"The Island still saw some fairly massive effects in March and April 2020. Employment was down 11 percent, a number which was four times bigger than during the last recession of 2008-09. Because people couldn't work and international markets shut down, consumer spending and international exports went way down.

"By October, we saw improvement. Employment on PEI was down just four percent from a year earlier. Retail sales are almost back to where they were. But there is still a lag for international exports, tourism, and in employment and hours worked."

David says there have been very uneven effects to the shutdown, and the recovery will continue to be uneven. "Those most affected are youth, low-wage workers, immigrants, and those who have lower levels of education, such as those working in food services, retail, and accommodations. Many young post-secondary students missed out on a summer of work in 2020. The people most affected will continue to lag behind the recovery as we go forward.

"Some industries such as professional services, public administration, and manufacturing are now back to where they were or are even doing better in terms of employment. A number of sectors are still struggling, including tourism, retail, agriculture, and aerospace. Many of the jobs most affected tend to be those which pay lower wages."



David Chaundy,  
APEC's President and CEO

### Provincial/Regional/International Economic Outlook

APEC Economist **Kevin MacLean** spoke about PEI's economic recovery. "PEI has seen among the smallest declines in the country, largely due to the province's success in containing COVID-19. We are still expecting GDP to contract by about four percent in 2020.

"In 2021, the Island's GDP is expected to pick up by about 3.7 percent, our highest forecast for Atlantic Canada. That will be driven by higher employment growth, consumer spending, a resumption of immigration, and high levels of construction activity.

"Like other provinces, PEI has seen a large fiscal deficit in 2020-21. It is projected to be just shy of \$180 million, much of it due to the COVID-19 response. It will take several years to get back to balance. Due to low interest rates and debt servicing costs, the debt should be manageable."

"The other three Atlantic provinces are expected to see declines in real GDP of between 4.5 and 6 percent, with rebounds in 2021 of 2.5 to 3.5 percent. In Nova Scotia, growth will be driven by higher employment and consumer spending. In Newfoundland, growth will be a bit slower due to low oil prices. In New Brunswick, growth should recover next year as international exports resume.

"Global markets should improve in 2021, which will help exports on PEI. Recovery has seen some downside risk as the second wave of COVID-19 takes hold in some countries. About two-thirds of PEI's exports go to the US, where GDP is expected to grow by about three percent after a decline of four percent in 2020. Avoiding further COVID-19 shutdowns in New England will be important, because that's where a lot of PEI's potato and seafood exports go.

"The European Union is currently struggling with case numbers and a GDP decline of about 7.5 percent is expected in 2020. A rebound in 2021 would be positive for exports such as seafood and aerospace. China was one of the few countries which saw positive growth in 2020, which will be positive for PEI exports of seafood and aerospace. Many of the jobs most affected tend to be those which pay lower wages."



Kevin MacLean,  
APEC Economist

### APEC Economist Kevin MacLean describes the effects of COVID-19 on PEI and the economic forecast for 2021

#### Employment

"We still have large declines in industries such as accommodations, food services, retail trade, and agriculture. Between March and May 2020, employment fell by 15 percent in Summerside and by 10 percent in Charlottetown, compared to February 2020. Rural areas are still struggling due to the reduction in tourism.

"PEI businesses have received about \$120 million in wage subsidies through August 2020, which helped save a significant number of jobs through the pandemic. Next year, APEC forecasts PEI's employment to grow by about three percent, provided there are no further shutdowns, international travel opens up, and federal support programs remain in place.

"On PEI, wages and salaries went down one percent during the second quarter of 2020, but were up one percent in the first half of the year, compared to the same time last year. This is the best income growth in the country during that period. As of October 2020, about \$330 million in CERB payments have gone to about 36,000 PEI residents. Income support is a big positive for the province in the immediate future and should help consumer spending in 2021."

#### Aerospace

"There is still some domestic travel, but next to no international travel is happening, and exports in this sector were down significantly. Losses totaled \$135 million through August 2020. The maintenance, repair and overhaul business on PEI is also hurting, but military contracts are stable and freight is doing quite well due to e-commerce.

"This sector is likely to continue to drag growth this year and won't be able to make a full recovery until international travel regulations are relaxed or until a vaccine is in place."

#### Construction

"There is a high demand for housing on the Island, and the average sale price of a home is up 18 percent from October 2019 to October 2020.

"Major project spending has doubled over the past five years, from \$250 million in 2015 to more than \$500 million in 2020. In 2021, we expect spending to increase to just under \$600 million, led by investments such as the solar energy storage project in Summerside, which will employ over 200 people over two years, the expansion of the wind farm in Eastern Kings, and a new high school in Stratford. Planned infrastructure spending in Charlottetown is also a positive for next year's outlook."

#### Aquaculture and fisheries

"The spring fishing season was delayed by two weeks due to COVID-19, which led to fewer landings overall. Restaurant closures led to lower demand for live mussels, oysters, lobster, and crab. Prices were soft in the spring of 2020 but improved in the fall. Frozen seafood products have done quite well because people are purchasing more in grocery stores.

"Similar to potatoes, sales of fresh seafood will be tied to the restaurant and tourism industry in 2021. PEI's largest markets for seafood are in New England and China. The containment of COVID-19 in those markets will be important for sales in 2021."

#### Immigration

"Immigration is a huge driver of growth on PEI. PEI had the second-highest population growth in the country in 2020, growing by 1.5 percent in 2020, compared to 2.5 percent in 2019. PEI's population is now just under 160,000.

"PEI has the highest immigration rate in the country. Immigration is a big reason why PEI has led the nation in economic growth over the past few years. The full resumption of immigration in 2021 will be critical to the Island's growth.

"More people are dying than being born on PEI. The workforce is aging as well, and there are more people leaving the workforce than entering. Immigration is required just to keep the population from shrinking. Immigrants bring an entrepreneurial spirit, starting businesses and creating jobs. Once we come out of the pandemic, immigration will be critical to PEI's future."

#### Retail

"This year, retail sales are down 2.6 percent, which is better than the five percent declines nationally. Sales are way down for clothing and autos, but up for grocery stores, general merchandise, and home building supply stores. These trends should continue into 2021."

**Deloitte** forecasts that holiday spending will be down about 18 percent in 2020, because a lot of travelling and dining out is not happening this year. E-commerce will continue to play an important role. "We forecast that retail sales on PEI will increase by 3.5 percent in 2021."

#### Bioscience

"The Bioscience sector on PEI has not slowed down as a result of the pandemic, and more opportunities have actually been created. As more research is done with health and medicines, it presents an opportunity for the bioscience sector on PEI, which is the second largest export industry in the province and employs 1,600 workers."

#### Tourism

"The number of tourists coming to PEI will be one of the most challenging aspects of the Island's recovery. Air passenger traffic is down almost 95 percent since the onset of the pandemic. Bridge crossings were down 55 percent, and room night sales were down 70 percent.

"The Atlantic bubble helped to a certain extent, but it was not able to make up for the total lack of international travel and cruise ships. Reduction of spending on accommodations and food services has been significant.

"**Destination Canada** expects that travel will pick up in 2021. Reopening of borders will be critical. It will take several years to return to previous levels. The containment of the virus in other provinces and countries will be a big part of the tourism industry in 2021. A vaccine will be required for the sector to make a full recovery."

#### Agriculture

"Prior to the pandemic, markets were strong for processing potatoes slated for restaurants, and for fresh potatoes. Once the pandemic hit, there were so many potatoes with nowhere to go. Fortunately, the government stepped in and found storage facilities which allowed potatoes to continue to be processed and saved the season.

"PEI farmers are among the last to plant their potatoes each year. By May, the outlook had already improved from the worst scenarios of March and April. PEI farmers, while they did somewhat scale back, reduced their plantings much less than farmers planting in the depths of the pandemic.

"The dry summer reduced crop yields at least 10 percent. The outlook is positive for fresh potatoes, but processed potatoes headed for restaurants could make for a difficult year in this industry."

#### Food and beverage service

"Restaurants and bars were hit hard by the COVID-19 shutdowns, due to the drop in tourism and constraints as to how many people can be in an enclosed space. Some restaurants opened patios to increase space, but that season is now behind us. Take-out and drive-through restaurants have not been quite as affected, but full-service dining is down 40 percent.

"Federal support programs have been important for this sector, but the continued apprehension of customers to being in enclosed spaces and social distancing rules will weigh on the restaurant and bar industry through the recovery.

"Looking ahead to next year, **Restaurants Canada** expects sales in 2021 will be about nine percent below 2019 levels."

### APEC recommendations

"What is holding back many businesses is related to the various health measures and consumer fears around the spread of COVID-19," says David Chaundy. "We need to build consumer confidence so that individuals feel safe to go back to their regular activities of visiting restaurants and travelling. We need to get this virus under control and the US to recover for the sake of our exports.

"For restaurants to be allowed to open at full capacity, for our tourism industry to recover, and for people to travel again, we need to focus on innovation to help find solutions to allow economic activity and consumer confidence to be restored."

Some measures that could help the travel industry:

- individuals required to show a negative COVID-19 test before boarding a train or plane or crossing the border
- rapid testing to replace the 14-day isolation requirement when coming to PEI.

For more about the Atlantic Provinces Economic Council, visit [www.apec-econ.ca](http://www.apec-econ.ca)

