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BMO: Lower Unemployment Will Help Retail Sales in PEI

CHARLOTTETOWN, Prince Edward Island, June 22, 2010 — While PEI was the only province to see positive real GDP growth in 2009, the economy will likely expand a relatively modest 2.6 per cent this year, according to BMO Capital Markets new Provincial Outlook report.

“Employment hit a record level in April, and was 4.6 per cent above year-ago levels through May,” said Robert Kavcic, Economist, BMO Capital Markets. “This has pulled the unemployment rate down to just over 10 per cent so far in 2010. While this will support retail sales, tourism and exports will continue to be strained by a strong Canadian dollar. “

However, a 5-year \$500 million capital investment plan should keep non-residential construction activity firm in the coming years, with public and private investment intentions pointing to a 6.3 per cent increase in 2010.

The Province of Prince Edward Island is projecting a fourth consecutive budget deficit in fiscal 2010/11, though the shortfall is a marked improvement from last fiscal year. The deficit is expected to be \$54.9 million (1.1 per cent of GDP), compared to the prior period’s shortfall of \$84.2 million. “The Province is anticipating a return to balance in four years, though it has not laid out a detailed plan to get there,” noted Mr. Kavcic.