



2024-2025

Fiscal and Economic Update

Department of Finance

The following is a reflection of what Government expects its financial results to be by the end of the fiscal year based on information known since the release of the Budget in February 2024, with a particular focus on fiscal and economic indicators for 2024, as well as the economic outlook for 2025 and beyond.

All data in this document is current to January 6th, 2025.

Compared to the 2024-2025 Operating Budget, the Province is now projecting a deficit position of \$129.5M, an increase of \$44.5M since the budget was tabled in February 2024, while the net debt is expected to increase \$14.4M less than what was expected.

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 2024-2025.

2024 Fiscal and Economic Highlights

The current forecast for FY2024-2025 is a deficit of \$129.5 million, a \$44.5 million increase from the budget released in February 2024.

PEI's population was 178,550 as of July 1, 2024, a new all-time high. Prince Edward Island had the fourth fastest annual growth rate in Canada over this timeframe at 2.8 per cent (4,837 persons).

Housing starts have increased 50.9 per cent through the first three quarters of 2024. Nationally, starts are up 1.8 per cent.

Employment on PEI has increased 4.1 per cent (3,700 persons) on a year-to-date basis through November. Nationally, employment increased 1.7 per cent over this timeframe.

Provincial expenditures are expected to increase by \$38.0 million. This reflects growing caseloads and cost per caseload for Social Programs, demand for energy efficiency programs, and growth in healthcare costs.

Total revenues are forecasted to decrease by \$6.5 million primarily due to reductions in sales tax revenue of \$13.6 million which is a result of the 2-month HST break.

The change in the All-Items Consumer Price Index for P.E.I. slowed to 2.0 per cent on a year-to-date basis through November. Nationally inflation increased 2.4 per cent through November.

Forecasted net debt as a percentage of GDP for fiscal 2024-2025 has increased in comparison to what was anticipated when the 2024-2025 Operating Budget that was tabled in February 2024 as a result of slightly weaker than expected GDP growth, as well as a larger forecasted deficit and higher capital expenditures anticipated for 2024-2025 compared to budget.

The value of manufacturing shipments has increased 4.8 per cent on a year-to-date basis through September. Nationally, manufacturing shipments have decreased 2.9 per cent through September.

The value of international exports from PEI has increased 8.9 per cent on a year-to-date basis through October, the fastest growth amongst provinces. Nationally, international exports are up 0.6 per cent.

Average weekly earnings have increased 5.2 per cent to average just over \$1,067 on a year-to-date basis through September, while nationally they are up 4.3 per cent to just under \$1,251.

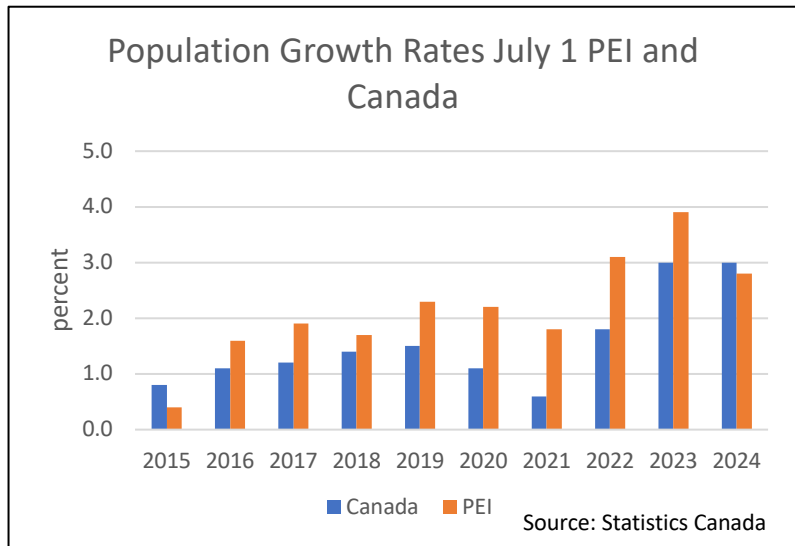
Total labour income continues to grow on the Island, up 9.4 per cent through September, the fastest growth amongst provinces.

Economic Update

The following is an update to Prince Edward Island's economic situation since the release of the Budget Paper on the Economy in February 2024. Overall, economic conditions continued to normalize through 2024, and the economic situation continues to evolve.

Population:

As laid out in the Population Strategy, the Island population continued to grow in 2024, though the pace moderated somewhat. PEI's population reached 178,550 people on July 1, 2024. This represents an increase of 4,837 people for a yearly growth rate of 2.8 per cent. This was slightly



higher than the 2.6 per cent forecast at Budget (+245 additional people). PEI's population growth was the fourth highest yearly growth rate amongst provinces and territories, behind Alberta (4.4 per cent), Ontario (3.2 per cent) and British Columbia (3.0 per cent). Nationally, the Canadian population increased by 3.0 per cent over this time period. This was the first time since 2015 that the Canadian population growth rate outpaced the Island's population growth rate. All provinces and territories saw population growth in 2024.

Population growth continued to be driven by international immigration. There were 4,149 international immigrants who came to the Island between July 2023 to June 2024, an increase of 33.2 per cent, over the previous year. Natural increase was negative on the Island in 2024, with natural growth of -318, the sixth decline in the last seven years. Interprovincial in-migration continued to be positive in 2024, for the ninth consecutive year, though the net number of people arriving on PEI from other provinces and territories (+82 people) fell back significantly from recent highs. An influx of younger people arriving in the province through both international and interprovincial migration led to the median age falling in the province for the past eight years. As of July 1, 2024, the median age on the Island was 41.3, down 0.5 from 2023. This is still a full year higher than the national median age of 40.3. The Island will be dependent on international and inter-provincial migration for population growth for the foreseeable future.

The Island population is forecast to continue to grow, though the rate of population growth will continue to trend down over the forecast horizon. This result will be driven by changes to certain immigration programs by both the Federal and Provincial governments. A projected return of net non-permanent residents and inter-provincial migrants to lower levels will help to keep population growth more closely aligned with projected targets. It is still likely that the province will grow to 200,000 people by the early 2030s.

Labour Force:

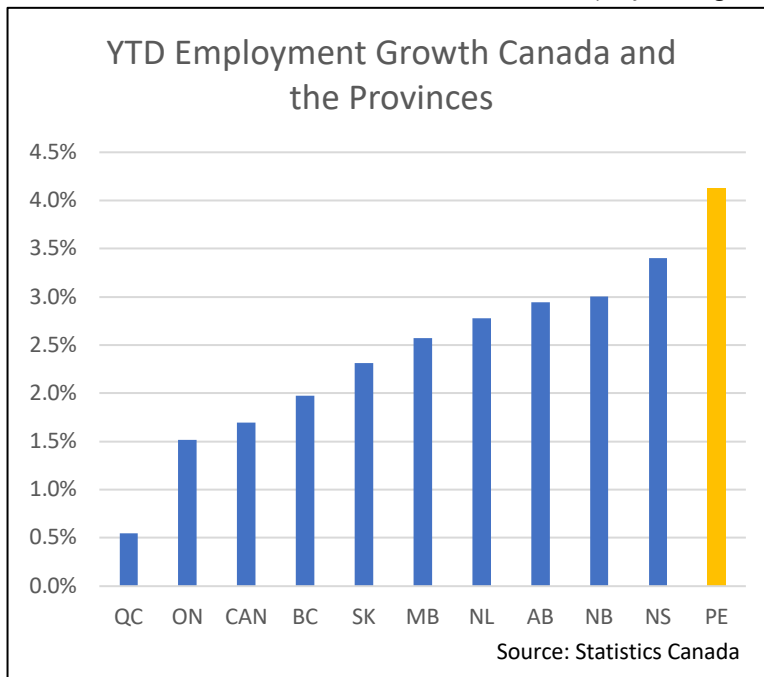
The employment situation on the Island continued to be robust through 2024. On a year-to-date basis through November, employment increased by 4.1 per cent to reach 92,400 people, the fastest growth amongst provinces. Nationally, employment increased by 1.7 per cent over this time period.

Average weekly earnings continued to see strong growth on the Island to date. Earnings were up 5.2 per cent through September, the fastest growth amongst provinces. Nationally, growth in average weekly earnings were 4.3 per cent over this time period. Average weekly earnings on the Island continue to be lower than in other provinces, but strong growth allowed PEI to continue to close this gap. Through September, average weekly earnings in PEI were 85.3 per cent of the national average, compared to 84.5 per cent for this time period in 2023.

Total labour income increased by 9.4 per cent on a year-to-date basis through September. All provinces reported growth in total labour income in 2024, with growth ranging from a high of 9.4 per cent in Prince Edward Island to a low of 4.3 per cent in Manitoba. Nationally, total labour income has increased by 5.8 per cent through September.

Employment is forecast to continue to grow, though slower than assumed at Budget. Employment trended in a narrow band over the first ten months of the year and will come in closer to 4 per cent for the year as a whole. Employment growth remains closely tied to immigration, and as the number of persons coming to the Island slows, employment growth will slow as a result. Employment in the health care and social assistance industry is projected to expand over the forecast horizon as training, recruitment and retention incentives in this industry begin to take effect.

Lower employment growth will have an impact on total labour income. Wage growth on the Island was strong, and this should continue as a result of increases to the minimum wage and its knock-on effects, as well as increases from various settled collective agreements. Growth in total labour income will slow over the forecast horizon as a result of slower employment growth. However, as the economy continues



to pivot toward higher wage employment while supporting the lower end of the labour market through minimum wage increases, growth in this metric should remain robust.

Consumer Prices and the Bank Rate:

	2020	2021	2022	2023	2024
All-items	0.0%	5.1%	8.9%	2.9%	2.0%
Food	4.1%	3.2%	9.7%	7.9%	4.0%
Shelter	-0.9%	8.5%	12.8%	2.3%	3.0%
Household operations, furnishings and equipment	0.2%	0.8%	5.9%	-0.2%	-0.2%
Clothing and footwear	-2.4%	-1.7%	1.1%	1.5%	-1.3%
Transportation	-1.6%	9.6%	13.6%	1.2%	1.5%
Health and personal care	2.6%	2.4%	5.5%	6.0%	3.8%
Recreation, education and reading	-1.1%	2.1%	1.6%	2.0%	-0.5%
Alcoholic beverages, tobacco products and recreational cannabis	0.3%	4.1%	2.1%	4.2%	3.0%

Source: Statistics Canada

Consumer prices on the Island increased by 2.0 per cent on a year-to-date basis through November. As can be seen in Table 1, over this time period, decreases in inflation have occurred in clothing and footwear, recreation, education and reading and household operations, furnishings and equipment. The largest increases over this time period were in food, health care and personal items, and shelter. Nationally, inflation increased 2.4 per cent through November.

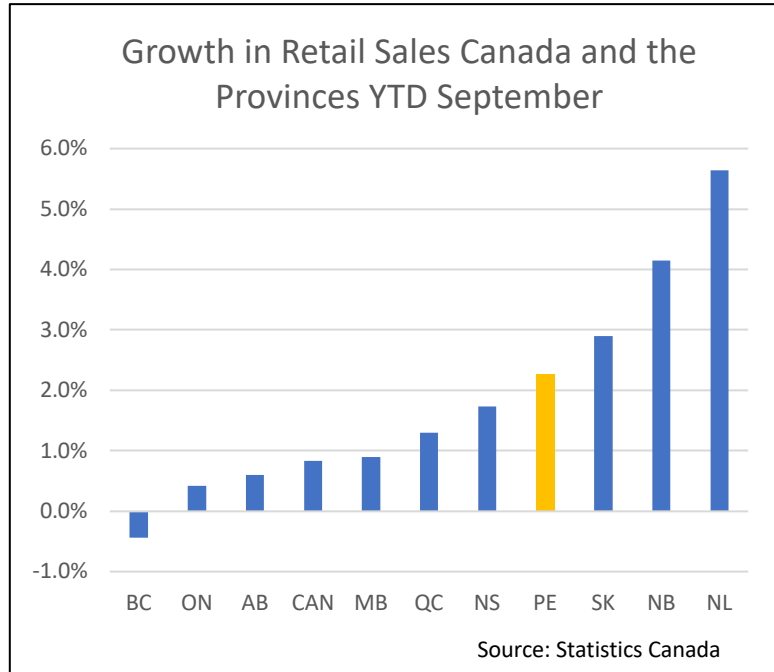
After holding the target for the overnight rate steady at 5 per cent since July 2023, the Bank of Canada began cutting interest rates in June 2024. This was the first time the Bank has cut interest rates since 2020. The Bank decreased the overnight rate from 5 per cent to 3.25 per cent through a series of rate cuts between June and December. Additional rate cuts are expected in 2025 as inflation is projected to continue to trend toward the two per cent target over the rest of 2024, before returning to target in 2025.

Retail Trade:

On a year-to-date basis through September, the value of seasonally adjusted retail sales increased 2.3 per cent on the Island. Growth in retail trade ranged from a high of 5.6 per cent in Newfoundland and Labrador, to a decline of 0.4 per cent in British Columbia. Nationally, retail sales increased 0.8 per cent over this time period.

Retail sales growth is projected to be lower than was forecast at Budget as price pressures have persisted in the economy, and higher borrowing costs have constrained consumers,

especially through the first half of the year. It is expected that consumer sentiment will improve over the latter half of the year as lower interest rates, normalizing inflation and strong wage growth will allow for higher retail spending. Retail trade should continue to improve over the forecast horizon as the economy returns to more normal conditions. The impact of a temporary holiday on the collection of the GST/HST on certain commodities between December 2024 and February 2025 is ambiguous as of the date of this report.



Construction and Housing:

The construction rebound has begun in earnest on the Island. Population growth and the numerous supports from all levels of government are driving this activity, with large increases in the multi-unit segment, particularly apartments. Increases have also been seen in non-residential construction, as commercial building increases to keep up with the growing population.

On November 7, 2024 the Provincial Government tabled a Capital Budget with investments of \$483 million in 2025-26 and \$1.65 billion in spending over the five years of the plan. This robust government spending plan will continue to drive growth in institutional and engineering construction over the forecast horizon.

Investment in building construction increased by 35.7 per cent through September, the fastest growth amongst provinces. Growth was recorded in both residential and non-residential investment, up 46.6 per cent and 8.2 per cent respectively. Nationally, growth increased by 6.6 per cent over this time period.

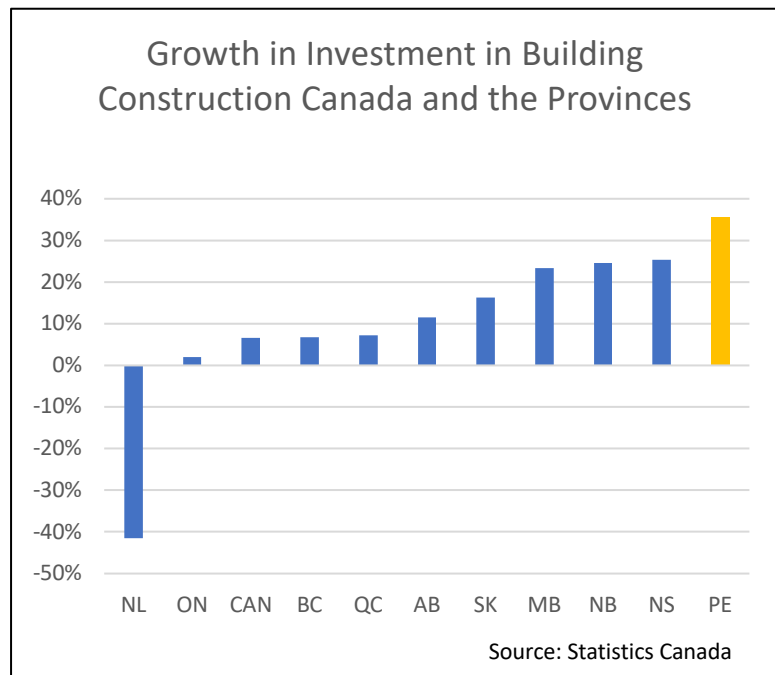
Through September, the value of seasonally adjusted building permits has increased by 24.1 per cent. Increases were seen in residential building permits, up 23.6 per cent. Permits for single-detached dwellings increased 26.9 per cent, while permits for multiple dwellings increased 20.8 per cent. Non-residential permits have also seen growth, up 25.3 per cent through September. Increases in commercial permits and in institutional and government permits of 26.2 per cent and 138.7 per cent respectively were more than enough to offset a decline of 65.8 per cent in industrial permits.

Housing starts increased 50.9 per cent through the third quarter of 2024 to 1,337 starts. Though only three quarters of the way through the year, this is the fourth-highest number of starts on the Island on record. Major

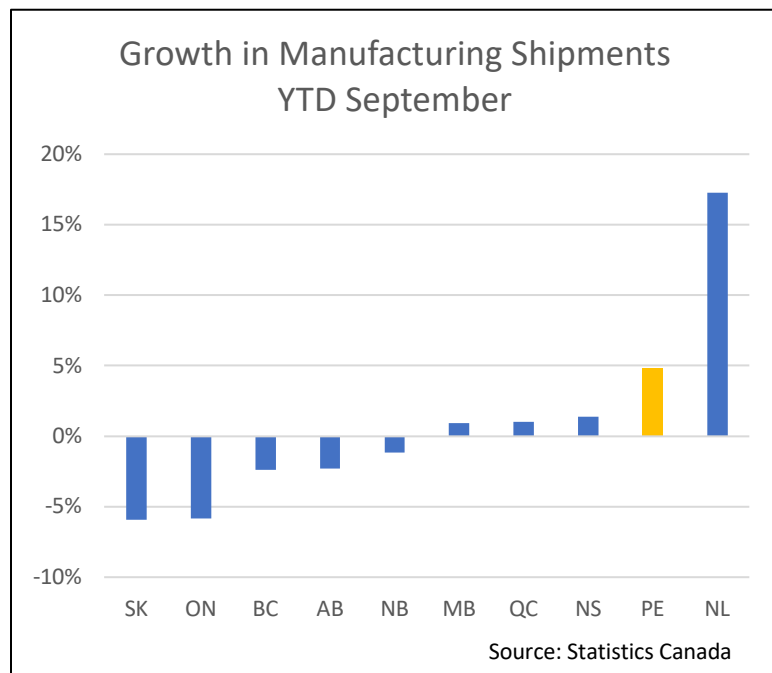
incentives from multiple orders of government favouring multi-unit residential development are having the desired impact. Housing starts increased in all segments, with single-detached houses up 21.1 per cent, and multi-unit housing up 66.5 per cent. Apartments were the fastest growing segment over this period, up 85.6 per cent.

Housing is on track to meet the 1,600 starts projected at Budget and to build even more housing in the following years in line with the needs laid out in the housing strategy. With a pipeline of housing projects waiting to be built, combined with a still increasing population, the province is making progress in meeting its medium-term target of an average of 2,000 housing starts per year, as laid out in the Prince Edward Island Housing Strategy.

Though borrowing costs and availability have constrained buyers on the Island, residential sales grew on the Island through September 2024. Through the first three quarters of 2024, sales increased 4.5 per cent compared to one year earlier. Though there has been some growth in sales, the average price of homes sold on the Island has been essentially flat (up 0.3 per cent) compared to the same period one year ago, with a year-to-date average price of \$386,088. Prices are not forecast to continue to rapidly increase as more homes are built and pressures from high levels of inter-provincial migration ease. Prices, however, are unlikely to fall and will remain stable over the forecast horizon. Sales activity should continue to increase over the forecast horizon as interest rates continue to fall.



Manufacturing Shipments and Exports:



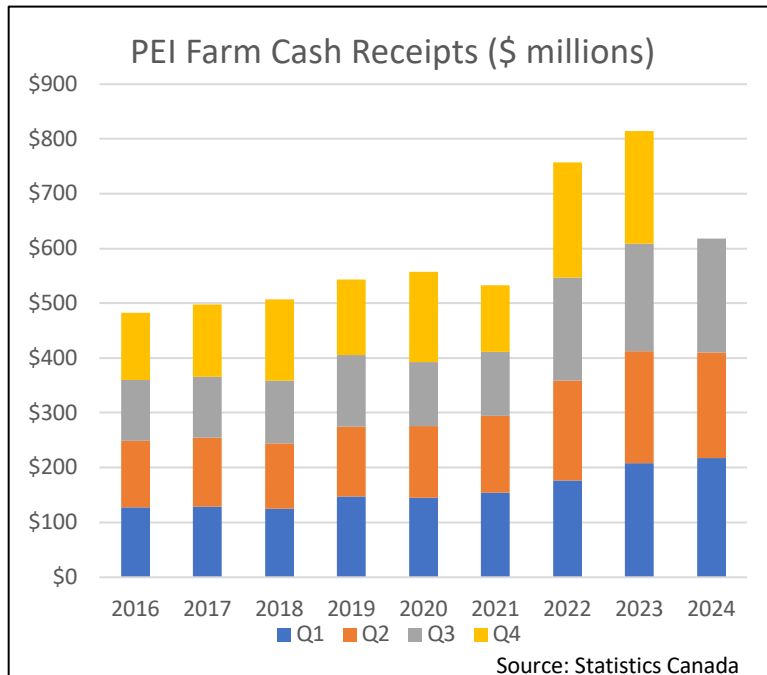
Manufacturing shipments and exports continue to be important contributors to growth on the Island. On a year-to-date basis through September, the value of seasonally adjusted manufacturing shipments increased by 4.8 per cent. Growth was recorded in both durable and non-durable goods, up 9.4 per cent and 2.6 per cent respectively. Growth in manufacturing shipments over this period was the second fastest amongst provinces, behind Newfoundland and Labrador. Nationally, manufacturing shipments declined by 2.9 per cent through September.

Exports increased by 8.9 per cent on a year-to-date basis through October, the fastest growth amongst provinces. Frozen food manufacturing continues to be the largest export industry on the Island by value, growing by 10.6 per cent, followed by processed seafood (up 2.5 per cent), and pharmaceuticals (up 4.1 per cent). Nationally, exports have increased by 0.6 per cent over this time period.

Manufacturing shipments and exports are projected to continue to make a positive contribution to the economy in 2024, and over the forecast horizon due to the continued rebound in the aerospace industry, the expansion of the pharmaceuticals industry and the continued strong performance of food manufacturing. Continued economic diversification through increased investments in clean technology will provide some upside to this industry. The announced 25 per cent tariffs to be levied on all Canadian goods entering the U.S. market as of January 20, 2025, if enacted, would have a significant negative impact in this sector for the duration of the tariffs.

Primary Industries (tourism, agriculture, fishing and aquaculture):

On a year-to-date basis through October, traffic to the Island is up over all modes of transport. Bridge traffic is up 4.7 per cent, while ferry traffic is up 11.6 per cent. Air traffic to the Island increased 3.5 per cent, while cruise ship traffic is up 28 per cent. On a year-to-date basis through September, overnight stays at fixed roof accommodations were down 1.1 per cent, while the occupancy rate declined by 2.7 percentage points. Campgrounds saw an increase in overnight stays of 8.7 per cent through September, while the occupancy rate increased by 0.7 percentage points.



The tourism industry is continuing to normalize in 2024 after a series of years impacted by visitor restrictions. The Port of Charlottetown set a new record for the cruise sector with 94 ships, and over 220,000 visitors coming to the Island this season. Past expansions to the Port of Charlottetown allow for these increases in activity now and in the future. Capital expansions and improvements to the airport in Charlottetown will continue to support the airline sector. The disruptions to the ferry service later in the season will hamper its ability to contribute positively to growth in 2024. Failure to have reliable ferry service to the

eastern end of the province will negatively impact the tourism and transportation industries on the Island, and particularly the eastern part of the province.

Through the third quarter of 2024, farm cash receipts on the Island increased by 2.0 per cent from the same period last year. Declines were recorded in crops, down 3.6 per cent, while livestock receipts rose over this period. Direct payments to farmers also increased over this period, by 40.5 per cent to \$58.9 million. This was due to an increase in crop insurance payments, as well as increases from the PEI Agriculture Fiona Recovery fund, and an increase in AgriStability program payments. Farm cash receipts declined in Quebec and the Prairie provinces, but recorded gains elsewhere. Nationally, farm cash receipts declined 3.0 per cent through the third quarter. Agriculture is projected to contribute positively to growth in 2024 and going forward, despite price declines in some commodities as the growing season on the Island has been positive. A resolution to the seed potato ban would provide some upside to the industry.

After several delays related to bad weather, the majority of the spring fishery opened on May 5, 2024. Catches in many areas have been good, though prices for a good part of the season remained in the \$6.50-\$7.00 range. The discovery of the parasite MSX on July 11, 2024 has been a blow to the oyster industry. As a result of the detection of this disease, oyster production may decrease, though declines will likely not be felt until 2025 or later.

Conclusion:

Though there are challenges, the economic situation on the Island is continuing to normalize as interest rates decline and inflation returns towards the Bank of Canada's two per cent target. The Island economy is on track to make the required investments in its growing population, while making progress on balancing population growth with other priorities. On balance, the forecast for real GDP for 2024 has been revised down from 4.1 per cent at Budget to 3.8 per cent due largely to weaker than expected consumer sentiment and slower employment growth.

Table 2:

	2023	2024	2024	2024	2025	2026
Budget Assumptions	Updated	Budget Outlook	Year-to-Date	Revised Outlook	Forecast	Forecast
Nominal GDP (\$ Millions)	9,924	10,644.48	10,549	10,519	11,119	11,753
Nominal GDP (%)	4.9%	6.6%	6.1%	6.0%	5.7%	5.7%
Real GDP (\$millions)	8,062	8,174.68	8,393	8,368	8,678	8,999
Real GDP (%)	2.2%	4.1%	4.1%	3.8%	3.7%	3.7%
Employment (%)	5.7%	4.3%	4.1%	4.0%	3.5%	3.5%
Total Labour Income (%)	8.3%	7.0%	9.4%	7.0%	7.0%	7.0%
Retail Sales (%)	4.1%	5.5%	2.3%	3.0%	6.0%	6.5%
Housing Starts	1,139	1,600	1,337	1,600	1,800	2,000
Inflation (%)	2.9%	2.5%	2.0%	2.2%	2.0%	2.0%
Population	173,713	178,305	178,550	178,550	181,008	183,443
Population (%)	3.9%	2.6%	2.8%	2.8%	1.4%	1.3%

Source: Statistics Canada, CMHC, PEI Department of Finance

2024-2025 Fiscal Update

The purpose of the fiscal update is to provide information on the government's projected revenues and expenses 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 budget was tabled.

The current forecast for 2024-2025 indicates a deficit of \$129.5 million. This represents an increase of \$44.5 million compared to the deficit plan of \$85.0 million outlined in the 2024-25 Budget Estimates.

SUMMARY

	2024-2025 Budget Estimate	2024-2025 Fiscal Update	2024-2025 Budget Variance
(Millions)	\$	\$	\$
Total Revenue	3,147.4	3,140.9	(6.5)
Total Program and Consolidated Agency Expenditures.....	2,933.3	2,975.3	42.1
Total Interest and Amortization.....	299.1	295.0	(4.1)
Total Expenditures	3,232.4	3,270.4	38.0
CONSOLIDATED DEFICIT	(85.0)	(129.5)	(44.5)
NET DEBT - End of Year	3,064.3	3,049.9	(14.4)

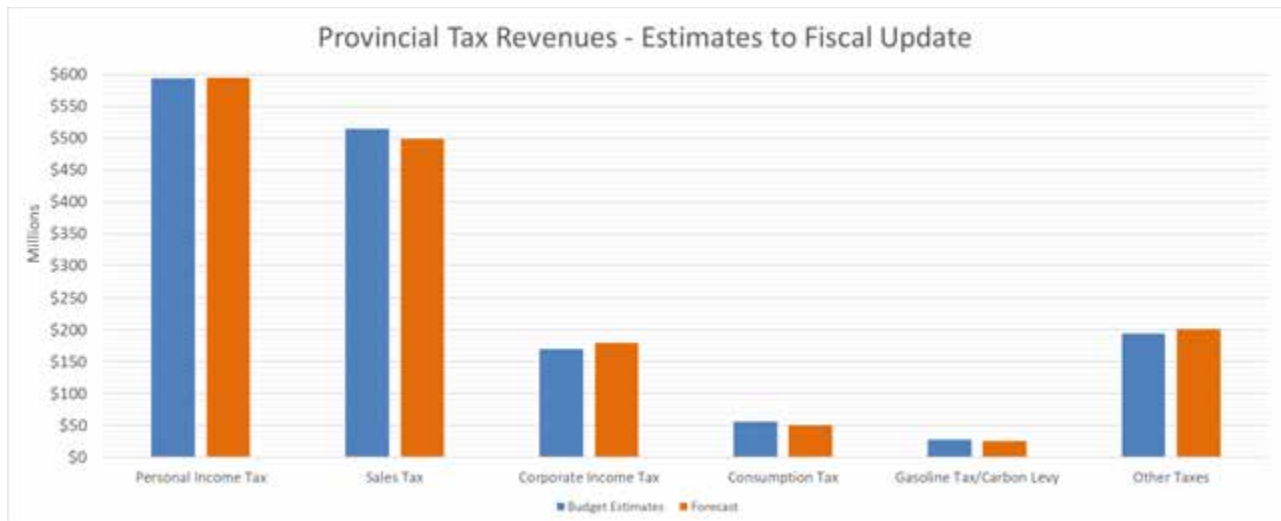
Revenue Forecast Highlights:

Total revenues are forecasted to decrease by \$6.5 million from the 2024-2025 Budget Estimates prepared in the spring of 2024. Tax receipts are currently anticipated to decrease by \$5.4 million along with decreases of \$2.8 million in Federal revenues and net consolidated surplus reductions to Government Business Enterprises of \$800 hundred thousand.

REVENUE SUMMARY BY SOURCE

	2024-2025 Budget Estimate	2024-2025 Fiscal Update	2024-2025 Budget Variance
	\$	\$	\$
PROVINCIAL OWN SOURCES			
Taxes.....	1,557,261,700	1,551,868,300	(5,393,400)
Licenses and Permits.....	44,721,900	45,159,200	437,300
Fees and Services.....	105,942,500	108,774,600	2,832,100
Investments/Sinking Fund.....	38,826,000	36,564,000	(2,262,000)
Other Revenue.....	9,614,300	11,561,000	1,946,700
TOTAL PROVINCIAL OWN SOURCES.....	1,756,366,400	1,753,927,100	(2,439,300)
GOVERNMENT OF CANADA.....	1,250,652,700	1,247,837,600	(2,815,100)
TOTAL CURRENT REVENUE.....	3,007,019,100	3,001,764,700	(5,254,400)
Other Consolidated Agencies.....	76,914,600	76,524,900	(389,700)
Net Consolidated Surplus of Government Business Enterprises.....	63,429,800	62,620,500	(809,300)
TOTAL REVENUE.....	3,147,363,500	3,140,910,100	(6,453,400)

The forecasted decrease of \$6.5 million in total revenue is largely related to a reduction of \$15.4 million in sales tax of which \$13.6 million is attributed to the 2-month HST break. Additionally, there are reductions in health tax on tobacco and cannabis tax totaling \$6.4 million, which is a continuation of the consumption trends from the previous fiscal, and gasoline tax of \$1.0 million. There are additional revenues forecasted for personal and corporate income tax totaling \$11.3 million as a result of adjustments made after reviewing the 2023 income tax return data and an increase to real property tax of \$6.9 million due to continue growth in assessments and new construction.



Federal Government transfers are expected to be \$2.8 million less than budget. Federal funding for heating efficiency programs is forecasted to decrease by \$8.5 million from Budget and Infrastructure Programs are anticipated to decrease by \$21.3 million due to updated project cashflows. The decreases are partially offset by an increase of \$4.5 million for the Early Childhood Development funding, additional revenue of \$16.1 million in HST recoveries in Fiscal 2024-25, \$3.1 million in funding for aquaculture capital projects and new annual funding of \$2.0 million for school food programs.

Interest on investments, Treasury Notes, and accounts held for operations across Government are also forecasted to decrease by \$2.3 million, as a result of decreasing interest rates.

Government Business Enterprises are forecasting a decrease in Net Consolidated Surplus of \$800 hundred thousand compared to Budget, primarily as a result of decreased net profit from operations of the PEI Lotteries Commission.

Expenditure Forecast Highlights:

Total program expenditures are forecast to increase by \$42.1 million and total expenditures by \$38.0 million.

EXPENDITURE SUMMARY BY DEPARTMENT

	2024-2025 Budget Estimate	2024-2025 Fiscal Update	2024-2025 Budget Variance
	\$	\$	\$
PROGRAM EXPENDITURE			
Agriculture.....	22,675,800	22,097,000	(578,800)
PEI Agricultural Insurance Corporation.....	53,718,100	51,718,100	(2,000,000)
Economic Development, Innovation and Trade.....	3,088,800	2,247,700	(841,100)
Innovation PEI.....	66,185,300	77,810,300	11,625,000
Education and Early Years.....	110,348,900	116,272,900	5,924,000
La Commission scolaire de langue française.....	25,360,700	25,505,700	145,000
Public Schools Branch.....	297,200,500	301,500,500	4,300,000
Environment, Energy and Climate Action.....	123,278,200	130,594,900	7,316,700
Executive Council.....	12,571,300	11,973,000	(598,300)
Finance.....	82,340,900	83,927,900	1,587,000
Employee Benefits.....	41,226,500	32,981,500	(8,245,000)
General Government.....	18,587,900	14,933,300	(3,654,600)
PEI Public Service Commission.....	12,813,500	12,718,500	(95,000)
Fisheries, Tourism, Sport and Culture.....	23,784,000	23,112,800	(671,200)
Tourism PEI.....	30,713,200	31,839,200	1,126,000
Health and Wellness.....	162,087,000	156,824,100	(5,262,900)
Health PEI.....	963,811,900	991,133,500	27,321,600
Housing, Land and Communities.....	49,438,300	50,248,700	810,400
PEI Housing Corporation.....	72,736,200	65,170,300	(7,565,900)
Justice and Public Safety.....	88,184,400	89,127,000	942,600
Social Development and Seniors.....	176,745,900	210,299,700	33,553,800
Transportation and Infrastructure.....	240,750,200	221,124,900	(19,625,300)
Workforce, Advanced Learning and Population.....	151,622,800	150,506,300	(1,116,500)
Employment Development Agency.....	7,155,500	7,155,500	-
PEI Student Financial Assistance Corporation.....	15,004,600	15,004,600	-
Legislative Assembly.....	14,027,400	14,027,400	-
Other Consolidated Agencies.....	67,811,100	65,485,700	(2,325,400)
TOTAL PROGRAM EXPENDITURE.....	2,933,268,900	2,975,341,000	42,072,100
Interest Charges on Debt.....	167,956,700	165,876,300	(2,080,400)
Amortization and Accretion.....	131,158,800	129,158,800	(2,000,000)
TOTAL EXPENDITURE.....	3,232,384,400	3,270,376,100	37,991,700

The following section gives further explanation to the figures presented in the Expenditure Summary by Department chart:

The Department of Social Development and Seniors is anticipating an increase in expenditures of \$33.6 million compared to Budget. The majority of this increase is due to the cost and volume increases in the Accessibility Support and Social Assistance Programs, totaling \$19.8 million. Additionally, the Department is forecasting an increase of \$5.8 million in the Community Care Facility grants due to accommodation rate increases, \$1.5 million in the Seniors Independence Initiative to support additional clients and \$2.5 million in food programs including the School Food Program, Summer Food Program and funding to PEI food banks.

Health PEI is forecasting an increase in expenditures of \$27.3 million and offsetting additional revenue of \$532 thousand for a net overall increase of \$26.8 million to their operational net budget. Expenditure pressures affecting Health PEI include increases to Private Nursing Homes grants related to per diem rate increases, additional costs due to utilization in Out-of-province health services, increases for building and utility costs, and funding for collective agreement settlements. These are partially offset by decreases in overall compensation due to recruitment challenges for staffing new and existing services and programs.

Innovation PEI is projecting to spend an additional \$11.6 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 Environment, Energy and Climate Action is anticipating an increase of \$7.3 million compared to Budget which is largely due to an increase to the demand in solar installation rebates which accounts for \$7.0 million of this overage.

The Public Schools Branch and La Commission scolaire de langue française are forecasting a combined \$4.4 million increase resulting from additional staffing supports including Kindergarten Teachers, Educational Assistant positions and Behavioural Resource Teachers, as well as increased operational costs for school heating/maintenance and fuel and repairs for buses.

The Department of Finance is projecting a reduction to Employee Benefit costs for Fiscal 2024-2025 of \$8.2 million primarily due to increased contributions and amortization gains.

PEI Housing Corporation is forecasting a decrease in expenditures of \$7.6 million primarily due an underspend of \$13.8 million in Affordable Housing Development Grants and Community Housing Expansion Program as projects are delayed or progressing slower than anticipated. This is partially offset by an increase of \$4.5M in the Home Heating Program.

The Department of Transportation and Infrastructure is forecasting a decrease in expenditures of \$19.6 million primarily due to timing of projects under the Federal Investing in Canada Infrastructure Program of \$23.2 million (offsetting revenue reductions of \$15.6 million). This is partially offset by increases in summer roadside maintenance, small bridge repairs and maintenance of \$5.3 million.

In addition to the variances noted for Program Expenditures, interest charges are projected to cost \$2.1 million less due to the decrease in interest rates, which is offset by the forecast of a reduction in revenue from Government held investments and accounts.

Government Business Enterprises:

The Net Consolidated Surplus from Government Business Entities is forecast to be reduced by \$800 hundred thousand from Budget Estimates. This is primarily a result of decreased lottery revenues forecast by the PEI Lotteries Commission. These are partially offset by stronger than originally planned net profits from the PEI Cannabis Management Corporation and PEI Liquor Control Commission.

NET CONSOLIDATED SURPLUS OF GOVERNMENT BUSINESS ENTERPRISES

	2024-2025 Budget Estimate	2024-2025 Fiscal Update	2024-2025 Budget Variance
	\$	\$	\$
Government Business Enterprises			
Charlottetown Area Development Corporation (Note).....	837,600	837,600	-
Island Investment Development Inc.....	13,909,900	13,909,900	-
Island Waste Management Corporation.....	-	-	-
Prince Edward Island Cannabis Management Corporation.....	1,470,000	2,313,500	843,500
Prince Edward Island Energy Corporation.....	3,116,800	3,182,400	65,600
Prince Edward Island Liquor Control Commission.....	21,924,500	22,108,100	183,600
Prince Edward Island Lotteries Commission.....	22,171,000	20,269,000	(1,902,000)
NET CONSOLIDATED SURPLUS OF GOVERNMENT BUSINESS ENTERPRISES	63,429,800	62,620,500	(809,300)

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 relative financial position of the Province. It represents the amount of future cash flow required to pay for past transactions.

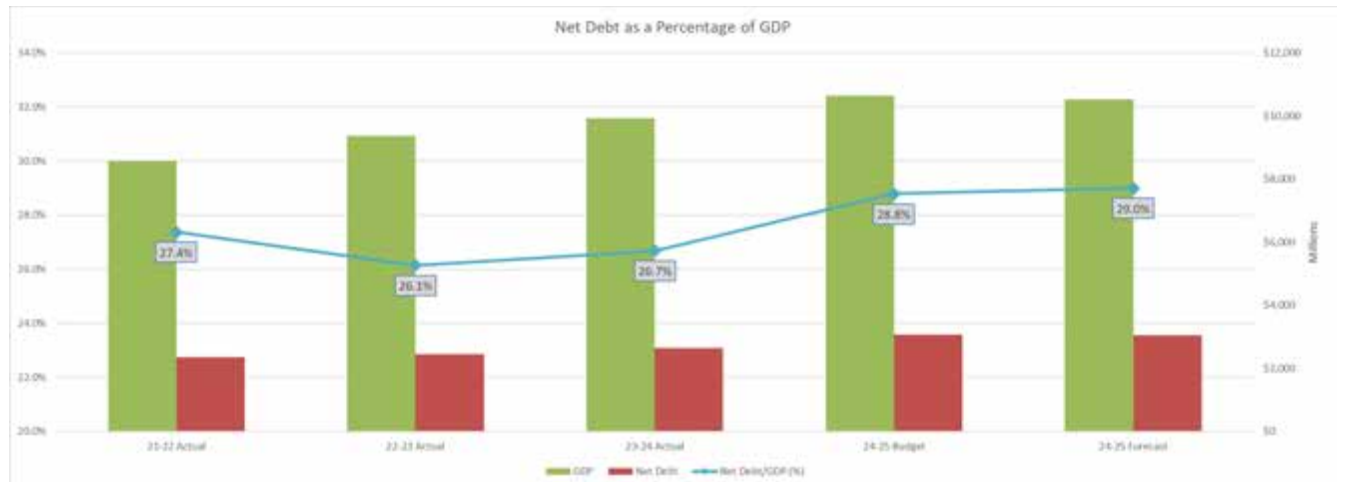
SCHEDULE OF NET DEBT

<u>(Millions)</u>	2024-2025 Budget Estimate	2024-2025 Fiscal Update	2024-2025 Budget Variance
	\$	\$	\$
NET DEBT - BEGINNING OF YEAR.....	2,740.3	2,647.7	(92.6)
Deficit.....	85.0	129.5	44.5
Acquisition of Tangible Capital Assets.....	368.8	400.5	31.7
Amortization.....	(129.8)	(127.8)	2.0
Increase in Net Debt.....	324.0	402.2	78.2
NET DEBT - END OF YEAR.....	3,064.3	3,049.9	(14.4)

Note: Net Debt for the beginning of the year was revised to reflect the closing net debt recorded in the 2023-24 audited financial statements

A determination of anticipated net debt was included in the 2024-2025 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 decrease (improve) by \$14.4 million compared to net debt expected in the 2024-2025 Budget Estimates.

The improvements are primarily related to the better than expected audited results for 2023-2024 resulting in a lower opening Net Debt for 2024-2025 than Budget, offset by an increase to forecasted acquisition of Tangible Capital Assets by \$31.7 million reflected in the Fall 2024 Capital Budget and a higher projected net deficit in 2024-2025. The slight increase in net debt as a percentage of GDP shown below is due to slightly weaker GDP growth expected for 2024-2025 than what was anticipated when the budget was tabled in February 2024.





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