

PEI's economic forecast for 2009

by Heidi Riley

LOOKING FORWARD

The **Atlantic Provinces Economic Council (APEC)** presented an economic forecast for 2009 to representatives from government and the business community in November.

This year's conference focused on the future of the American economy and how it will affect Atlantic Canada.

"The US is the world's largest economy, and it's the largest purchaser of Atlantic Canada's exports," says **Dr. Brian McMillan**, President of Holland College, in his opening remarks. "As the US economy falters, it raises questions about the challenges and opportunities which exist for our economy."

2009 economic forecast for the Atlantic Region

"The downside risks that we identified in our fall economic outlook are materializing, and this has caused analysts to substantially cut their global and Canadian growth forecasts for 2009," says **David Chaundy**, Senior Economist, APEC.

"Canada is in a stronger fiscal and economic position than the US but will not escape the global recession. Weak global demand will hurt Atlantic Canada's exports, but the lower dollar should help profit margins. Lower energy prices will also provide some relief to consumers. On PEI, the slowdown is negatively affecting government revenues while expenditure is rising. PEI's overall economic growth will be marginal at best with some decline in employment."

How are some sectors on PEI adapting to economic changes?

Aerospace sector

"The PEI Aerospace industry is a good news story," says **Brian Thompson**, President, **Vector Atlantic**, formerly **Atlantic Turbines International**. "There are 900 people working in this sector on PEI. The Aerospace workforce in manufacturing and engineering is highly skilled and earns good wages.

"Our Aerospace industry earns **\$400 million** in revenues yearly," says Brian. "The industry is successful because of its people. Islanders have a great work ethic. We also have great infrastructure at Slemmon Park and good training support from our community college. As well, the corporate taxation system is favourable to Aerospace industries. This positive environment attracts investment to PEI.

"Vector Atlantic repairs and overhauls gas turbine engines and has locations in Canada, Europe, the US, and Africa. The companies we compete against are bigger. We compete using superior customer service, not lower cost. We invest heavily in training, and we use Lean Management to continuously improve operations.

"Of the products made by our Aerospace companies, **95 percent** goes off-Island. The US is our biggest customer, but we are diversifying to take advantage of growth from new markets in Asia, the Middle East, and Eastern Europe.

We hired 40 people in 2008. In December, we announced that up to 50 additional employees will be hired at the main facility in Slemmon Park. This growth is as a result of the company obtaining new contracts for maintenance, repair and overhaul.



Brian Thompson

For more information, call 436-1333 or visit www.vectoraerospace.com

Tourism sector: Food and Beverage

Kevin Murphy is the President of **Murphy Group of Restaurants**.

"My involvement with the **Tourism Advisory Council (TAC)** got me interested in what is happening in the US market and how it affects our economy," says Kevin. "When the direction of the US economy changes, tourism is the first to be affected. Tourism numbers on PEI have stagnated. It is difficult to attract and grow the US tourism market. Every year there seems to be a new crisis that affects tourism numbers.

"How do we compete in the US market? Our tourism marketing campaign for the US has a very small budget - less than \$500,000. In the last seven years, Canada's tourism marketing budget has stayed the same, where in the US, it is up 700 percent. PEI needs to do things differently. We need to be more creative, focused, and strategic. Our challenge is to make PEI more well-known and put more effort into figuring out what visitors want and start delivering it.

"PEI has reacted to the flat tourism numbers by establishing the **Tourism Research Centre** at **UPEI**. The centre helps to generate some independent research to get more information about tourists, because mass ad campaigns are not working. I'm optimistic, and I don't see employment in tourism going down."



Kevin Murphy

For more information, call 566-3137 or visit www.murphygroupofrestaurants.ca

Information Technology/Culture sector: Video games

PEI is home to four video game development companies. They create games for mobile phones, iPhones, PC, Nintendo DS, Wii, and other gaming platforms. These companies have more than 100 employees, and the average salary is \$50,000 plus.

A fifth company in this sector is **Sculpin QA**, a video game testing company based at the Atlantic Technology Centre in Charlottetown. "We are new in the province and we are in a young industry," says **John Eden**, Director of Business Development for Sculpin QA. All 16 staff are from the Atlantic region and most are from PEI.

"When hiring **Game Testers**, the company looks for people who have a technical background, have issue reporting experience, and are huge gamers. Many of our staff have come from the call centre industry, where they have learned how important it is to clearly document problems.

"The video game industry has been looking at outsourcing to lower-cost locations for a while now, and the economic downturn will likely see that trend increase. Atlantic Canada as an attractive option, so this is actually a good opportunity for more growth, due to the current economic situation.

"In the coming year, Sculpin QA anticipates it will add another five to ten testers, and I predict that the other companies in the sector on PEI will add another 20 to 25 people this year. I see great opportunities especially in games for iPhones.

"The numbers of gamers continues to grow. No industry is recession-proof, but I believe that if the recession does not last more than a year, it will not have an impact on the gaming industry.



John Eden

For more information, visit www.sculpinqa.com

Bioscience industry: Pharmaceuticals

BioVectra Inc. has 115 staff. "Our forecast for 2009 estimates revenues of \$20 million, which is a 20 percent increase over last year," says **Ron Keefe** President of **BioVectra**.

"Traditionally, 80 percent of our customers are in the US. What happens in the US is important, but what happens in the rest of the world is also important. Our core customers, the large pharmaceutical companies, are global in nature, with billions in cash reserves. The current economic situation will not drastically affect them. But the global credit crunch will hit the small biotech firms. If the Canadian dollar continues to stay low, we will see the benefit by the summer of 2009.

"We don't believe the market demand for our products and services will diminish as a result of current conditions. The demand for healthcare products due to the demographics of an aging population in developed countries indicate growth in that sector.

"We are in a good place, but we are cautious about the US economy as we move forward. I am optimistic that the credit crunch will be short-term, and we will get through without much trouble. I don't anticipate a decline in jobs at BioVectra. If we have an increase, it will depend on whether new projects go ahead.

"There are a number of new research and development projects in the works for Bioscience on PEI, and that will result in an increase in employment. Bioscience has 800 employees now, and we expect that number to double in the next four to five years."



Ron Keefe

For more information, call 566-9116 or visit www.biovectra.com