

On the road to economic recovery: Are we there yet?

by Heidi Riley

APEC visits PEI



The **Atlantic Provinces Economic Council (APEC)** visited Charlottetown in November to deliver their economic forecast and discuss how far Atlantic Canada has moved towards economic recovery. As well, representatives from three Island businesses talked about their impressions of what lies ahead.

The keynote speaker was **Richard Homburg**, Chairman and CEO of **Homburg Invest Inc.**



Homburg Invest is a Halifax-based company which has \$4 billion in assets world-wide. Here in Charlottetown, the company is involved in refurbishing the Confederation Court Mall and the National Bank Building. They are also constructing an eight-story office tower, a \$15 million, 10-story, 82-room hotel, and a 44-unit condominium complex.

Richard explained the reasons for the recent global economic downturn and spoke about his hopes for the economic recovery in Canada and on PEI. He suggested that the world needs

to reverse present trends and de-globalize, de-consolidate, and more strongly regulate the world's banking and financial institutions.

"We need to think globally and act locally," says Richard. "PEI should depend more on local rather than international businesses. PEI needs more investment, and there is lots of opportunity in the local market."

"Canada has done a tremendous job of selling itself as a country that has not suffered as deeply from the recession. That encourages foreign investors to invest in Canada because they see it as safe and stable. But even though Canada is doing better than other countries, we are not out of the slump yet."

APEC economists have their say...

Research Analyst **Patrick Brannon** listed some major investment projects that will boost PEI's economy through 2010:

- \$800 million investment in infrastructure in PEI's wind energy plan
- increased spending for highway construction
- QEH expansion
- infrastructure improvements to provincial nursing homes
- construction of the new \$30 million BioCommons Research Park and the new \$17 million Holland College Centre for Applied Science & Technology.

"PEI was the only province in Canada that did not get a big hit to exports this year - it actually saw a small increase. French fries, pharmaceuticals, and chemical products led the way in exports. However, exports may weaken this coming year, due to a lower demand for french fries. We have already seen Cavendish Farms planning to cut production.

"The fishing industry was the main casualty in exports - lobster exports are down \$23 million. 6,500 people work in the lobster industry on PEI. We expect lobster sales to slowly pick up as government efforts to expand markets take shape.

"In 2010, agrifood will continue to be important. Growth will be modest, as it will be affected by the high Canadian dollar.

"The recession has had an impact on tourism. This past year, there were 12 percent fewer visitors from the US, but there was an increase in visitors from New Brunswick and Ontario. Bridge traffic was up, but room nights were down. Cruise ship visits increased last year, and are expected to grow again. In 2010, we see some growth potential, but the high Canadian dollar will limit overall gains.

"Construction of single-family housing is down, but construction of multiple-dwelling housing is the highest in 20 years. Home prices will rise slowly in the future."

PEI has Atlantic Canada's highest rate of self employment

Senior Policy Analyst **Fred Bergman** predicts a modest employment recovery. "The October 2009 unemployment rate for PEI was 12 percent, compared to an average of 8.6 percent for Canada as a whole. But there is good news. Labour income on PEI is estimated to have grown 4.7 percent in the first half of 2009, compared to a .7 percent gain nationally. As well, PEI has the highest rate of self employment in Atlantic Canada - 13.4 percent of workers are self employed."

APEC President Elizabeth Beale's Recommendations

- Address the provincial deficit. PEI has run a deficit for 9 of the last 11 years. Paying interest on that debt takes up 7.5 percent of PEI's expenditures.
- Implement the Harmonized Sales Tax. "There is clear evidence that the HST improves long-term growth capacity and reduces costs to businesses."
- Shift away from job creation programs to programs that build capacity in industries that encourage innovation.
- Encourage workers to retrain and get more education.
- Adult education needs to be a top priority. There is a need to support a literacy strategy. On PEI, 43 percent of residents have inadequate literacy proficiency. That is a roadblock to further training or changing jobs.

