

Economics

PROVINCIAL BUDGET BRIEFS

April 14, 2026

Andrew Grantham andrew.grantham@cibc.com

Tom Bognar, CFA tom.bognar@cibc.com

Prince Edward Island budget 2026

Prince Edward Island is now projecting a sizeable deficit for the just-ended 2025/26 fiscal year, with the shortfall expected to slim modestly this year. However, the \$410mn deficit expected for fiscal 2026/27 is still almost 3.5% of GDP, and the province is launching a spending review with the aim of accelerating the narrowing of the deficit beyond the current year. Net financial requirements are slightly lower this year compared to fiscal 2025/26, largely due to the fact that the province does not have any bond maturities to refinance this year. Long term borrowing is expected to be \$900mn, which is \$100mn lower than the prior year.

Table 1: Summary of fiscal position: (C\$millions)

Fiscal measure	2024/25 Actual	2025/26 25 Budget	2025/26 26 Budget	2025/26 Change	2026/27 26 Budget	2027/28 26 Budget	2028/29 26 Budget
Revenue	3,124	3,343	3,271	-72	3,386	3,535	3,701
Provincial sources	1,904	2,022	1,963	-59	2,030	2,115	2,210
• % change	3.0	6.5	3.1	-3	3.4	4.2	4.5
Federal source	1,219	1,321	1,308	-13	1,356	1,420	1,491
Expenditures	3,287	3,527	3,720	193	3,796	3,921	4,039
Programs	2,997	3,212	3,403	192	3,428	3,495	3,583
• % change	9.0	7.2	13.6	6	0.7	2.0	2.5
Public debt interest	164	170	171	1	201	248	268
Amortization of tangible capital assets	126	146	146	1	167	179	188
Consolidated budget balance	-163.9	-183.9	-449.6	-265.7	-409.9	-386.2	-338.0

Growth in PEI economy remains solid

The PEI economy has generally performed better than most other Canadian provinces, albeit not as well as the Island's prior forecasts had anticipated. Real GDP is estimated to have risen by 2.4% in 2025, with the province one of the few to see growth in manufacturing shipments and US-bound trade. Dry weather last summer, however, negatively impacted the agriculture industry, and Federal government regulations saw a sharper slowing in population growth than previously anticipated.

Looking forward, population growth is expected to remain slower than in prior years, but stronger than the national average. That should allow solid growth in employment and labour incomes, which will help consumer spending. The re-negotiation of CUSMA is expected to bring only short-term disruptions to manufacturing and trade in the coming year, while Federal government spending on infrastructure and defense is expected to be a positive over the forecast horizon. Real GDP growth is expected to slow slightly to 2.0% this year and next, before accelerating to 2.5% in 2028 and 2029. Similarly, nominal GDP growth is expected to be 4.0% in the near-term, before reaccelerating to 4.5%.

Large deficit slimming only slowly

For the just-ended 2025/26 fiscal year, the province now estimates a deficit of \$450mn (3.8% GDP), which is noticeably wider than the \$184mn shortfall expected at the time of Budget 2025 and also a further worsening relative to the mid-year update. Relative to the initial budget estimates, revenues are running below plan (-\$72mn) while program spending has

been higher than expected (+\$192mn). Spending of the PEI Agricultural Insurance Corporation was higher than expected as a dry summer resulted in increased crop insurance payments.

The current fiscal year is expected to see a similarly wide deficit of \$410mn (almost 3.5% GDP). While program spending is expected to grow by a modest 0.7%, that is downwardly impacted by an estimate for agricultural spending to normalise again. The province expects further increased spending in priority areas such as healthcare. To help increase revenues and narrow the deficit, some new taxes and tax increases were announced in today's budget. A new personal income tax bracket will apply to income over \$200K, while there are also tax increases for non-resident property owners.

Longer-term projections show revenue growth accelerating slightly to broadly match the pace of nominal GDP growth expected for those years. At the same time, program spending will be kept to a 2.0-2.5% pace. That would result in a slimming of the deficit to \$338mn by fiscal 2028/29, even with a significant build-up of interest expenses. A Comprehensive Expenditure Review (CERT) has been launched with the aim of slowing expense growth to better match up with future expected growth in revenues. It is hoped that the review will identify savings of \$200mn (5% of total expenditures) by fiscal 2028/29.

Table 2: Economic forecasts

	2026	2027	2028	2029
Real GDP	2.0	2.0	2.5	2.5
Nominal GDP	4.0	4.0	4.5	4.5
Employment	1.1	1.2	1.8	1.7
Personal income	4.0	4.0	4.5	4.5
Retail sales	3.0	3.0	3.5	3.5

Long-term borrowing forecasted to drop by \$100mn

For the fiscal year that just ended, the province accessed the domestic debt market four times borrowing a total of \$1.0bn in long-term funding (2 x \$300mn and 2 x \$200mn). At the same time, the province accessed short-funding/liquidity reserves/working capital for \$53mn bringing total funding completed to \$1.05bn. That compares to the budget estimate which forecasted \$800mn and \$73.0mn, respectively, totalling \$873mn. Despite the lower requirements for borrowing on behalf of Crown Corporations and slightly lower capital spending completed, the larger deficit was the reason for the higher cash requirements throughout the year.

As for the new fiscal year, the province's total cash requirements are dropping by \$134mn from the outgoing year to \$918mn. That is mainly due to the province not having any bonds maturing this year, as opposed to \$125mn in 2025/26. The province is electing to fund that through both short- and long-term funding again. The former will be decreasing to \$18mn, while the latter will also be decreasing by \$100mn to \$900mn.

Although the province does not provide future years' borrowing estimates, the deficit of \$386mn, two bonds maturing totalling \$225mn that will need to be refinanced, capital spending of \$374mn, and borrowing on behalf of Crown Corporations around \$100mn would place 2027/28's borrowing requirements at approximately \$1.1bn.

Table 3: Borrowing requirements (C\$millions)

	2025/26 Forecast	2025/26 Estimate	2026/27 Forecast
Borrowing requirements			
Consolidated (surplus)/deficit	184	450	410
Capital adjustments	338	297	320
Sinking funds earnings/provisions	21	21	26
Pension transfers/accruals	57	57	57
Borrowing On Behalf of Crown Corp	145	100	105
Net financial requirement	745	925	918
Maturities & calls	128	128	0
Total	873	1053	918

Table 4: Sources of funding (C\$millions)

Sources of funding	2025/26F	2025/26E	2026/27F
Short-term paper	73	53	18
Bonds and MTNs	800	1000	900
Total	873	1053	918

Capital plan, net debt, and debt ratio all increasing

Tabled in November, the 2026/27 capital plan includes a record investment of \$487mn with a five-year total of \$1.6bn. That is almost unchanged from last year's plan of \$483mn and a five-year total of \$1.7bn. The overall spending plan reflects the province's population growth and the pressures that growth places on public services.

Key areas of focus highlighted in the budget address are healthcare, education, and infrastructure. The largest area of spending this year is in healthcare with Health PEI and Wellness combining for a total spend of \$197mn, up from an estimated \$169mn completed in 25/26. Meanwhile, the second largest line item is in education and early years with a total of \$116mn earmarked, up from an estimated \$84mn completed in 25/26. That amount spent this past year is down from the planned total of \$113mn in last year's budget. Rounding out the large spending areas is Transportation and Infrastructure at \$87mn planned, down from \$105mn spent in 25/26. Those three areas combined account for over 80% of the entire planned spending this upcoming year.

As a result of the higher deficit and slightly lower capital spending, net debt is forecasted to increase by \$747mn to \$3.8bn in 2025/26. That would place the net debt-to-GDP ratio at 33.2%, higher than the estimate of 32.6% a year ago. As for the upcoming year, the deficit and capital spending are estimated to add another \$730mn to net debt, projected to be \$4.5bn by the end of 2026/27. Overall, that planned increase is larger than the expected growth in GDP which is projected to place that ratio at 38.1%, an increase of 3.1% from the prior estimate. Over the following two years, that ratio is increasing again with projections of 39.8% and 39.9%, respectively, by the end of the forecast horizon in 2028/29, while net debt is expected to reach \$5.1bn. Last year's budget had that ratio peaking at 35.9% in 2027/28, with net debt reaching \$4.2bn. The main reason for the increase over the horizon is the larger deficits, which are cumulatively \$591mn higher than the latest estimates.

CIBC Capital Markets is a trademark brand name under which Canadian Imperial Bank of Commerce ("CIBC"), its subsidiaries and affiliates (including, without limitation, CIBC World Markets Inc., CIBC World Markets Corp. and CIBC Capital Markets (Europe) S.A.) provide different products and services to our customers around the world. Products and/or services offered by CIBC include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and OTC derivatives. CIBC's Foreign Exchange Disclosure Statement relating to guidelines contained in the FX Global Code can be found at www.cibccm.com/fxdisclosure. Other products and services, such as exchange-traded equity and equity options, fixed income securities and futures execution of Canadian securities, are offered through directly or indirectly held subsidiaries of CIBC as indicated below.

Distribution

This report is written by the economics team at CIBC Capital Markets and is not the product of a CIBC Capital Markets research department. This report is issued and approved for distribution: (a) in Canada, by CIBC World Markets Inc., a member of the Canadian Investment Regulatory Organization, the Toronto Stock Exchange, the TSX Venture Exchange and a Member of the Canadian Investor Protection Fund; and (b) in the United States, by either: (i) CIBC World Markets Inc. for distribution only to U.S. Major Institutional Investors ("MII") (as such term is defined in SEC Rule 15a-6) or (ii) CIBC World Markets Corp., a member of the Financial Industry Regulatory Authority. U.S. MIIs receiving this report from CIBC World Markets Inc. (the Canadian broker-dealer) are required to effect transactions (other than negotiating their terms) in securities discussed in the report through CIBC World Markets Corp. (the U.S. broker-dealer).

This report is provided, for informational purposes only, to institutional investor and retail clients of CIBC World Markets Inc. in Canada and does not constitute an offer or solicitation to buy or sell any securities discussed herein, including (without limitation) in any jurisdiction where such offer or solicitation would be prohibited.

The distribution of this report in the United Kingdom is being made only to, or directed only at, persons falling within one or more of the exemptions from the financial promotion regime in section 21 of the UK Financial Services and Markets Act 2000 (as amended) ("FSMA") including, without limitation, to the following:

- authorised firms under FSMA and certain other investment professionals falling within article 19 of the FSMA (Financial Promotion) Order 2005 ("FPO") and directors, officers and employees acting for such entities in relation to investment;
- high value entities falling within article 49 FPO and directors, officers and employees acting for such entities in relation to investment; and
- persons who receive this presentation outside the United Kingdom.

The distribution of this report to any other person in the United Kingdom is unauthorised and may contravene FSMA. No person falling outside such categories should treat this report as constituting a promotion to them or rely or act on it for any purposes whatsoever. This report is distributed solely to eligible counterparties or professional clients and not retail clients as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For all other jurisdictions, this report is distributed solely to institutional clients and not retail clients as defined by the applicable securities legislation and regulation to which CIBC Capital Markets may be subject in any jurisdiction.

Miscellaneous

This report does not take into account the investment objectives, financial situation or specific needs of any particular client of CIBC. Before making an investment decision on the basis of any information contained in this report, the recipient should consider whether such information is appropriate given the recipient's particular investment needs, objectives and financial circumstances. CIBC suggests that, prior to acting on any information contained herein, you contact one of our client advisers in your jurisdiction to discuss your particular circumstances. Since the levels and bases of taxation can change, any reference in this report to the impact of taxation should not be construed as offering tax advice; as with any transaction having potential tax implications, clients should consult with their own tax advisors. Past performance is not a guarantee of future results.

The information and any statistical data contained herein were obtained from sources that we believe to be reliable, but we do not represent that they are accurate or complete, and they should not be relied upon as such. All estimates and opinions expressed herein constitute judgments as of the date of this report and are subject to change without notice.

This report may provide addresses of, or contain hyperlinks to, Internet web sites. CIBC has not reviewed the linked Internet web site of any third party and takes no responsibility for the contents thereof. Each such address or hyperlink is provided solely for the recipient's convenience and information, and the content of linked third-party web sites is not in any way incorporated into this document. Recipients who choose to access such third-party web sites or follow such hyperlinks do so at their own risk.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited by law and may result in prosecution.

CIBC Capital Markets and the CIBC Logo Design are trademarks of CIBC, used under license.

CIBC Capital Markets – PO Box 500, 161 Bay Street, Brookfield Place, Toronto, Canada M5J 2S8 – Bloomberg @ CIBC