

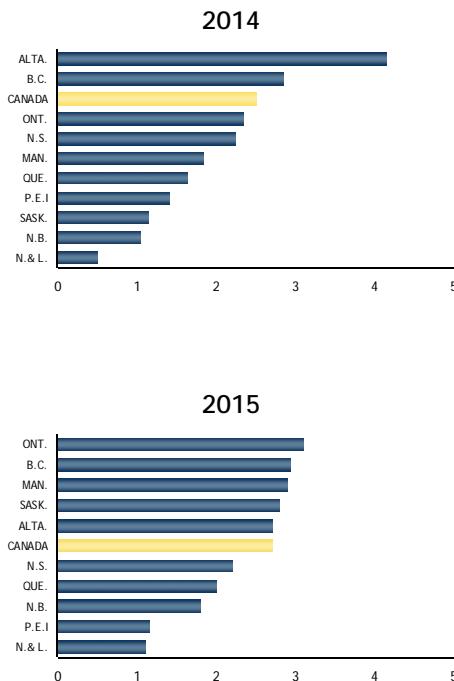
PROVINCIAL OUTLOOK

December 2014

All provincial economies are expected to grow in 2015, although the oil price slump should alter rankings

Real GDP growth

% change



Source: Statistics Canada, RBC Economics Research

Paul Ferley
 Assistant Chief Economist
 416-974-7231
 paul.ferley@rbc.com

Robert Hogue
 Senior Economist
 416-974-6192
 robert.hogue@rbc.com

Laura Cooper
 Economist
 416-974-8593
 laura.cooper@rbc.com

Gerard Walsh
 Economist
 416-974-6525
 gerard.walsh@rbc.com

- Our real gross domestic product (GDP) growth forecast for Canada is 2.7% in 2015, which is unchanged from the September *Provincial Outlook* report. We have altered the provincial composition of that growth, however, in light of the significant decline in oil prices since our last publication.
- Downward revisions to our oil price assumptions prompted us to reduce the projected rates of real growth for 2015 in Alberta, Saskatchewan, and Newfoundland and Labrador—Canada’s major oil-producing provinces—and to boost slightly the rates in the majority of other provinces (all net oil consumers), including Ontario and Quebec.
- Despite these revisions, the provincial picture continues to be fairly positive, even in oil-producing provinces. We still expect Saskatchewan, and Newfoundland and Labrador to show acceleration in 2015 from 2014, while downwardly revised real growth in Alberta would still match the national average rate.
- Strengthening support from the export sector continues to be the dominant positive force generating broad-based *real* economic expansions across provinces.
- We now expect Ontario to lead the provincial real GDP growth rankings in 2015, followed closely by BC, Manitoba, and Saskatchewan. We expect growth in all other provinces to be at or below the national average.
- Alberta continued to show every sign of a booming economy in 2014, and we project its real GDP growth for the year (4.1%) to outpace the rate in all other provinces by a wide margin.
- We introduce our 2016 forecasts, which feature generally moderate real GDP growth across the provinces. We expect the western provinces and Ontario to maintain their leadership.

The drop in oil prices represents a significant event but far from a complete game-changer

The accelerated fall in global oil prices in recent months clearly has been the biggest economic event that has occurred since the September *Provincial Outlook* report. We expect only limited implications from this development for our 2014 forecasts for the provinces; however, we expect the effects to be more significant in 2015. Our forecast scenario now assumes that oil prices will remain low during 2015 (averaging US\$70 per barrel on a West Texas Intermediate, or WTI, basis before rebounding to \$80 in 2016), which results in slower projected growth for oil-producing provinces and slightly stronger growth for the majority of other provinces (net consumers of oil). Our analysis suggests that the hit to the economies of oil-producing provinces will be manageable, and we expect real GDP in Alberta, Saskatchewan, and Newfoundland and Labrador to continue to grow in 2015.

Export recovery still the bigger factor driving provincial economies in 2015

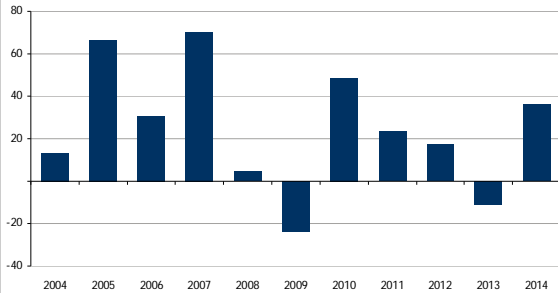
While lower oil prices will cause some re-allocation of growth across the country, the bigger force that will drive provincial economies in 2015 will be further recovery in the export sector. Strengthening US demand and the gains in competitiveness arising from depreciation in the Canadian dollar contributed to widespread advances in provincial exports in 2014, and we expect this trend to continue, thereby helping the majority of provinces to achieve faster real GDP growth rates in 2015. In Saskatchewan and Manitoba, economic growth also will benefit from their agricultural sectors resuming their expansion following a corrective phase in 2014 that marked a return to normal production levels from a bumper crop in 2013.

First peek at 2016: still generally positive

We introduce our forecasts for 2016, which show sustained real GDP growth in all provinces, albeit moderating from 2015 in most cases. We expect the western provinces and Ontario to remain ahead of the pack, with provinces east of Ontario all registering growth rates below the national average of 2.1%.

British Columbia employment

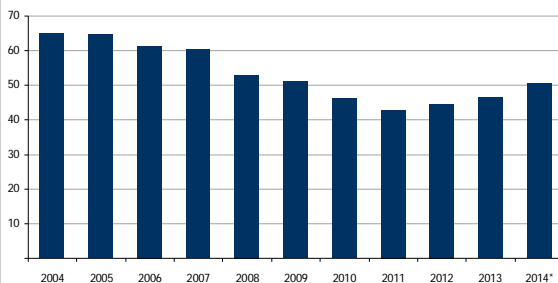
Net employment gains, year-to-date November



Source: Statistics Canada, RBC Economics Research

British Columbia : share of merchandise exports to US

Percentage of nominal merchandise exports



Source: Industry Canada, RBC Economics Research
*Year-to-date October

British Columbia forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 2.4 | 1.9 | 2.8 | 2.9 | 2.5 |
| Nominal GDP | 2.3 | 3.2 | 4.4 | 4.0 | 4.4 |
| Employment | 1.7 | -0.2 | 0.9 | 1.3 | 1.0 |
| Unemployment rate (%) | 6.7 | 6.6 | 6.1 | 5.7 | 5.7 |
| Retail sales | 1.9 | 2.4 | 5.3 | 4.2 | 4.2 |
| Housing starts (units) | 27,465 | 27,054 | 28,800 | 29,300 | 25,000 |
| Consumer price index | 1.1 | -0.1 | 1.1 | 1.1 | 2.0 |

Laura Cooper
Economist

Marking a turnaround in 2014

Economic growth is on track to accelerate in British Columbia in 2014 following three consecutive years of slowing activity. Broad-based gains in export-oriented sectors led by US demand-fuelled growth are accompanying positive developments on the domestic front including signs of a tentative improvement in the province’s labour markets. The finalizing of the **liquefied natural gas (LNG)** income tax rules by the provincial government in October 2014 opened the door to a new wave of economic activity for the coming years that is tied to private investment in the energy sector. We forecast real GDP to grow by 2.8% in 2014 and strengthen slightly to 2.9% in 2015 following a relatively subdued 1.9% pace of growth in 2013. Our initial real GDP forecast for 2016 is 2.5%.

US strength spilling over into the province’s international export sectors

Momentum is building on the external trade front, as improving conditions in the US boost demand for a wide range of the province’s merchandise products. A pickup in residential construction activity south of the border bolstered shipments of lumber products while firmer prices for natural gas abetted a surge in nominal exports of the commodity to US markets. Further inroads into Asian markets are evident this year and led by rising shipments of metallic minerals and wood-products, although strengthening US activity is supporting a recovery in the share of exports to the province’s largest trading partner after falling to a low in 2011. Positive economic conditions set the stage for further acceleration in US demand in 2015 and should contribute to a broadening of the economic expansion beyond export-oriented sectors.

Encouraging natural gas developments

Tentative signs of a turnaround in capital investment emerged in the third quarter of 2014, although weakness earlier this year will keep overall non-residential investment depressed in 2014 as a whole. The highly anticipated release of the details of the earlier proposed LNG income tax in October marked a step toward attracting potential new investments to the province. No final investment decisions have yet been made (and we assumed none in our forecast); however, the finalized framework clarifies the investment parameters for the nascent LNG industry and could well provide a boost to confidence in the province if it brings some projects closer to getting the nod. The announcement in December 2014 that a proponent of one of the larger projects had put its approval on hold tempered optimism, however.

Constructive developments emerging in domestic economy

An encouraging development in the province is the recent pickup in the pace of hiring after a net loss of jobs in 2013. The economy added 36,000 jobs in the first 11 months of the year, all full-time positions, to mark the best year-to-date performance since emerging from the recession in 2010. The unemployment rate has declined to its lowest rate since 2008 despite a greater number of British Columbians joining the workforce. Against this improving backdrop, consumer spending recorded solid gains during the spring and summer months with further support stemming from constructive demographic developments. Following two years of net out-migration to other provinces, British Columbia is on track to have this trend reversed in 2014, thereby boosting population growth. This, in turn, will help to absorb new homes coming to market as homes under construction are on track to record the strongest year since 2008 and led by a rise in multi-unit dwellings that are concentrated in the Vancouver area.



From a boom to...a still-respectable pace

The intensifying weakness in global crude oil markets since the September *Provincial Outlook* report prompted us to revise our growth forecast for the province for 2015, although we still expect Alberta's economy to grow at a respectable pace. At this stage, record levels of investment in the oil and gas sector continue to generate tremendous activity in 2014—both directly and indirectly. In fact, booming conditions in most sectors of Alberta's economy led us to boost our 2014 real GDP growth forecast to 4.1% from 3.9% previously. Nonetheless, we expect that the persistence of significantly lower oil prices will weigh on economic growth in Alberta in the period ahead, as it will put a squeeze on incomes—both private and public—in the province. We lowered our forecast for real GDP growth in 2015 to 2.7% from 3.5%, which would match the national average. We expect further moderation to a rate of 2.3% in 2016.

Oil price slide effect muted so far...

Indications available to date suggest that the sharp drop in crude oil prices since June 2014 has had a muted effect on activity in Alberta's energy sector so far. Crude oil production continued to surge year to date thanks to a 14% rise in bitumen output, while rising energy exports and strong prices earlier this year contributed to impressive gains in nominal merchandise exports. Looking ahead, we expect that the ramping up of production at new and expanded oil sands projects will continue to boost non-conventional oil output in the province despite a lower oil price environment. Operations at such projects tend not to be very sensitive to short-term price fluctuations given their longer-term focus and large fixed costs of production. That being said, we expect that lower oil prices will cause capital spending in the energy sector to be curtailed in 2015.

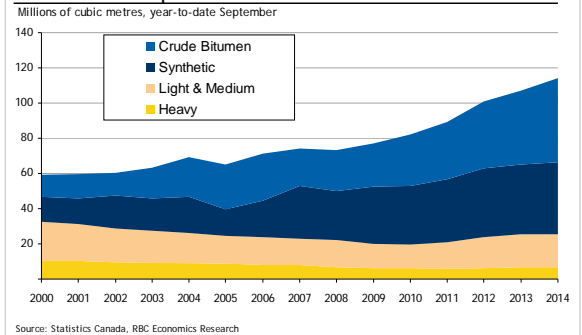
...as clouds darken on the fiscal front...

Signs of a challenging revenue situation in light of the slump in oil prices were present in the Alberta government's mid-year fiscal report released in November, although they were masked by firmer than expected conditions for non-renewable resources in the early part of fiscal year 2014–15. Backing out what the government now expects for the second half of the fiscal year reveals a substantial 30% (\$1.4 billion) downward revision to non-renewable resource revenues relative to plan (due to a lower WTI assumption of US\$75 per barrel compared to US\$95 in its 2014 budget). Such a weaker in-year revenue profile spells for a poor handoff to fiscal year 2015–16, when we expect the intense downward pressures on provincial revenues to become much more visible. The Alberta government committed itself to control its spending to ensure that its budget remains in the black.

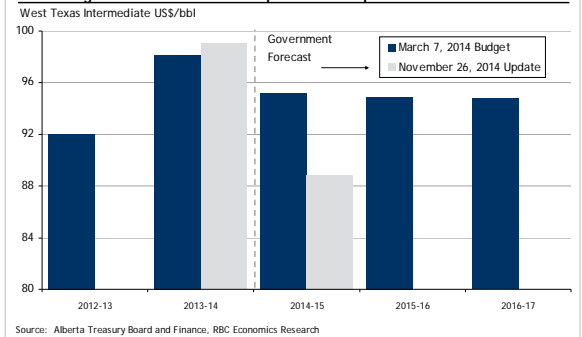
...but silver linings remain elsewhere

Negative spillover effects into non-energy sectors so far have not materialized because boom-like conditions continue to prevail across the province and attract a large number of people to move to Alberta from across Canada and abroad. Positive demographics along with tight labour markets are sustaining solid underlying consumer demand in the province with impressive housing market gains and strong retail sales persisting in the latter half of 2014. We expect that such strength will diminish somewhat in 2015 due to the pressures that lower oil prices will exert on incomes in the province and knock-on effects on (currently brimming) business and consumer confidence in the province.

Alberta crude oil production



Alberta government crude oil price assumptions



Alberta forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 4.5 | 3.8 | 4.1 | 2.7 | 2.3 |
| Nominal GDP | 5.6 | 7.1 | 7.7 | -1.7 | 5.9 |
| Employment | 2.6 | 2.9 | 3.0 | 1.8 | 1.4 |
| Unemployment rate (%) | 4.6 | 4.6 | 4.6 | 4.5 | 4.9 |
| Retail sales | 7.0 | 6.9 | 8.1 | 4.2 | 4.0 |
| Housing starts (units) | 33,396 | 36,011 | 41,400 | 37,800 | 34,500 |
| Consumer price index | 1.1 | 1.4 | 2.6 | 1.2 | 2.0 |

Laura Cooper
Economist

Economic activity to shift to a higher gear in 2015

Growth in Saskatchewan in 2015 is expected to rebound to 2.8% after a modest 1.1% increase projected for 2014. Growth in 2014 was restrained by declining agricultural production following 2013’s bumper crop, which helped send real GDP growth up an impressive 5.0% in that year (upwardly from our preliminary estimate of 4.5%). Our 1.1% projection for 2014 represents a slight downward revision from a previously estimated 1.3% that in part reflects the expectation of a slightly larger payback in 2014 from 2013’s oversized and upwardly revised, gain. Our projected real GDP growth for 2015 also is a slight downward revision from our previous forecast, to reflect the negative effects that we expect from lower oil prices on income growth in the province. Our forecast of 2.8% in 2015 assumes a return to average crop yields contributing to growth in agricultural production rising 4% after an expected 14% decline this year. In 2013, agricultural production was up 35%.

Weakness in non-energy mining expected to ease

Growth in 2015 is also expected to get a boost from some recovery in non-energy mining activity after indications that activity was restrained in the first half of 2014 by cutbacks in potash production in the face of aggressive competition from a major overseas producer. Our forecast assumes that stronger potash output during the second half of 2014 will offset the weakness in the first half such that flat activity will result for the year as a whole. The more recent data suggest that the turnaround in provincial potash production has started. As well, there have been anecdotal reports of mine shutdowns overseas due to flooding, which would limit global potash supply in the near term. We expect global demand for potash to be supported by a growing world economy in 2015, thereby paving the way for further strengthening in potash production in the province next year that we believe will extend into 2016.

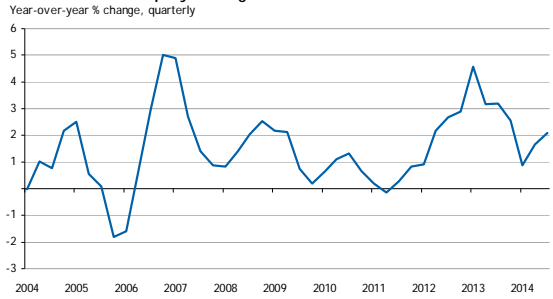
Improvements in the labour market augurs well

Optimism that the weaker economic growth in Saskatchewan in 2014 will not persist is supported by improving trends in the provincial labour market. In the third quarter of 2014 hiring was up by an annualized 2%, which compares to less than 1% at the start of the year (no doubt depressed at the time by the severe winter weather conditions that likely hampered firms’ willingness to take on new workers). Strong employment growth and continued robust in-migration into the province have contributed to housing starts rebounding more than expected in 2014. We now expect starts to total 8,600 units in the province in 2014, which would be up from both our previous forecast (8,000) and the 2013 total (8,300). Our assumption, however, that interest rates will increase beginning in 2015 should exert a cooling effect on new home construction and lead to moderation in starts to 7,900 units in 2015 and 7,000 in 2016.

Capital investment expected to strengthen after disappointing in 2014

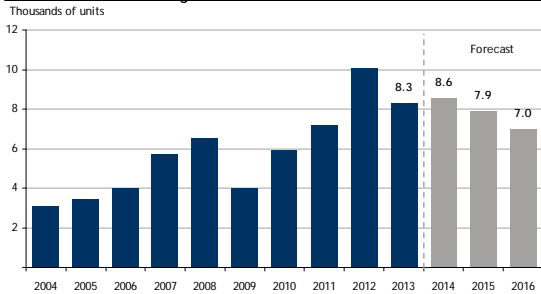
Overall, real GDP growth in 2016 is expected to remain unchanged from 2015 at 2.8%. Activity is expected to continue to be supported by growth in agriculture and non-energy mining. Gains in these areas are expected to result in business investment strengthening in both 2015 and 2016 after preliminary indications of relatively flat activity in 2014. Cutbacks to capital expenditures in the energy sector present some downside risks.

Saskatchewan employment growth



Source: Statistics Canada, RBC Economics Research

Saskatchewan housing starts



Source: Canada Mortgage and Housing Corporation, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 3.1 | 5.0 | 1.1 | 2.8 | 2.8 |
| Nominal GDP | 5.7 | 5.5 | 0.3 | 1.7 | 5.4 |
| Employment | 2.1 | 3.4 | 1.9 | 2.0 | 1.4 |
| Unemployment rate (%) | 4.7 | 4.0 | 3.8 | 3.9 | 4.1 |
| Retail sales | 7.4 | 5.1 | 5.0 | 4.3 | 4.1 |
| Housing starts (units) | 9,968 | 8,290 | 8,600 | 7,900 | 7,000 |
| Consumer price index | 1.6 | 1.4 | 2.4 | 1.8 | 2.8 |

Paul Ferley
Assistant Chief Economist



Manitoba

Agricultural drag to recede, clearing the way to stronger growth in 2015

The pace of growth in Manitoba is expected to strengthen in 2015 to 2.9% up from a rate of 1.8% projected for 2014. Growth in 2014 was held back by declining agricultural output as production returned closer to historically average yields after the bumper harvest in 2013. Recently released 2014 numbers for wheat and canola production indicated a drop of 31.4% following the 33.3% surge in 2013. Our forecast assumes the maintenance of historic yields in the years ahead, which implies that this drag from agriculture will be short-lived and followed by modest growth returning in this sector in 2015 and 2016. The cessation of this drag contributes to the rebound in overall real GDP in 2015 and at 2.3% in 2016 helps to maintain growth slightly above the national average pace.

Manufacturing activity on the comeback trail

The pickup in overall real GDP growth forecast in 2015 is also a reflection of strengthening manufacturing activity. Manufacturing sales bounced back in the third quarter of 2014, rising almost 6% following increases of 1.5% and 2.0% in the second and first quarters, respectively. Manufacturing sales had been quite stagnant in the previous two years, rising by only 1.1% in 2012 and 0.1% in 2013. The gains to date in 2014 were broadly based although led by transportation equipment component. This revitalization of the sector is evidence that exporters in the province are benefitting from both the strengthening US economy and the weakening in the Canadian dollar. With both of these factors anticipated to persist through 2016, we expect further growth in Manitoba's manufacturing sector. Transportation equipment is expected to continue to lead the sector, with demand expected to continue to rise for aerospace and bus equipment. Strengthening business investment in the US is expected to provide increased support to machinery production in the province.

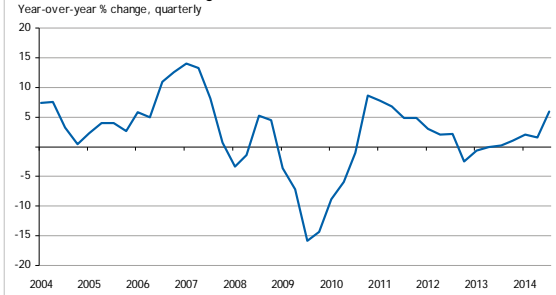
Capacity additions to drive mining production higher

The slowdown in economic growth in 2014 is also attributable to a drop-off in mining and oil and gas activity in the province. This in part reflects oil production declining during most of the year to date. Looking ahead, we expect oil production to remain under pressure given the turbulence in global markets, although output may not decline much, or at all, from 2014 levels. As well, we expect that additions to provincial mining capacity on the non-energy side of the sector in recent years will lead to rising production from new facilities and send overall mining output back to an upward trajectory.

Construction to strengthen

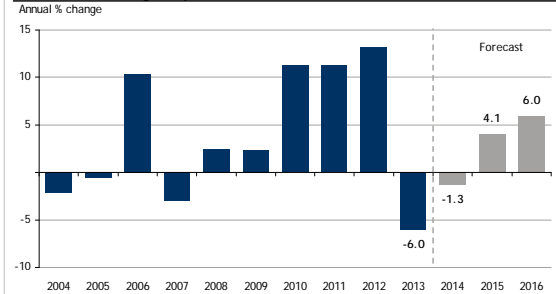
Construction activity flattened in 2014 with the completion of a number of large projects. We expect an upturn in the construction cycle to take shape in 2015, however, driven by renewed spending in the manufacturing sector, where we believe there will be a need to invest in machinery, equipment, and expanded structures. Also expected to support capital investment during the forecast horizon is construction activity related to Manitoba Hydro's Bipole III transmission project, which is now getting underway. The total cost of this project was recently upwardly revised to \$4.6 billion with an in-service date scheduled in 2018. Spending in these areas is expected to contribute not only to growth in 2015 but also to help maintain the expected 2.3% pace in 2016 that should keep the province growing slightly above the national average.

Manitoba manufacturing sales



Source: Statistics Canada, RBC Economics Research

Manitoba mining output



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 3.3 | 2.2 | 1.8 | 2.9 | 2.3 |
| Nominal GDP | 6.0 | 3.7 | 3.4 | 4.0 | 4.0 |
| Employment | 0.9 | 0.5 | 0.1 | 1.5 | 1.0 |
| Unemployment rate (%) | 5.3 | 5.3 | 5.4 | 5.1 | 5.0 |
| Retail sales | 1.3 | 3.9 | 3.7 | 4.1 | 4.0 |
| Housing starts (units) | 7,242 | 7,465 | 6,600 | 6,700 | 5,800 |
| Consumer price index | 1.6 | 2.3 | 1.9 | 1.3 | 2.3 |

Paul Ferley
Assistant Chief Economist

Taking steps toward leading the country

Ontario’s economy took a step toward achieving a more convincing pace of expansion in 2014, and we expect it to take another step in that direction in 2015 that would place it atop the provincial growth rankings. Stronger exports, higher household spending, and brisk activity in the housing sector have re-invigorated the provincial economy since the spring of 2014, after real GDP growth slowed to a post-recession low of 1.3% in 2013. We believe that the recent turnaround in Ontario’s exports is just the beginning of a powerful export-led push that in 2015 will contribute to the fastest growth in five years for the province. We forecast real GDP to grow by 3.1% in 2015, which would be the best among the provinces and acceleration from 2.3% in 2014. Our projected rates for both 2014 and 2015 represent upward revisions from our previous forecasts (2.1% in 2014 and 2.8% in 2015), in part to reflect the net boost that we expect Ontario’s economy will receive from substantially lower oil prices. We forecast real GDP growth to moderate to 2.3% in 2016, although this would still outpace the national average of 2.1%.

Upswing in exports...

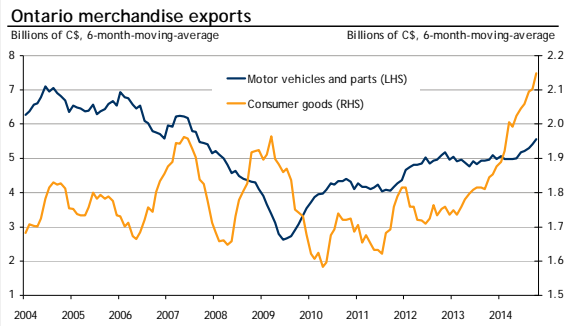
The recovery in Ontario’s exports sector finally showed more gusto in 2014. Merchandise exports rose by a solid 7.3% on a nominal basis during the first 10 months of 2014, which was the strongest pace since 2010 and the second-strongest pace in the past 14 years. Exports of motor vehicles and parts rose almost 8%; however, it was a surge in consumer goods exports that stood out with an increase of 15%. There were also encouraging gains registered by forest products (up nearly 10%), and electronic and electrical equipment (up 2.5%), following multi-year-long slumps. Renewed vigour in external demand for Ontario’s goods generated much-needed steam for the provincial manufacturing sector’s engine. Year to date, manufacturing sales have climbed by more than 6%, which is a high watermark since 2010. Increases were broadly based across the sector with transportation equipment manufacturers (sales up 7.5%) among those that recorded the more significant advances.

...to continue in 2015

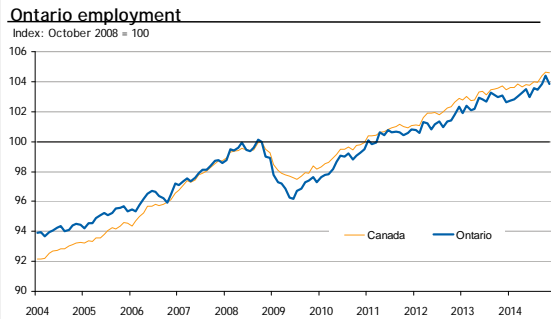
We believe that the upswing in Ontario’s exports has a lot more distance to go. We expect Ontario’s biggest export market—the US economy—to expand at a 10-year high (3.3% real GDP growth) in 2015 and the lower value of the Canadian dollar to improve the international competitiveness position of businesses in the province. The elements will be in place, therefore, for external demand to constitute a powerful source of economic growth in Ontario in 2015 with benefits increasingly felt across the board.

Improving job prospects positive for domestic activity

We expect that job creation will pick up its pace in the province in 2015. We forecast employment to grow by 1.4% in 2015, which would be up from a five-year low of 0.8% in 2014. Improving job prospects and lower gasoline prices—resulting from the significant drop global in oil prices—should offer favourable conditions for further growth in household spending in the province, although we see scope for only minimal acceleration in retail sales from an already-brisk pace of 4.1% in 2014. Following surprisingly solid activity in 2014, we expect Ontario’s housing market to remain vibrant in 2015 with home resales being sustained near historical highs. We project a slight increase in housing starts from 58,700 units in 2014 to 60,500 units in 2015.



Source: Statistics Canada, RBC Economics Research



Source: Statistics Canada, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 1.7 | 1.3 | 2.3 | 3.1 | 2.3 |
| Nominal GDP | 3.2 | 2.4 | 4.1 | 5.2 | 3.9 |
| Employment | 0.8 | 1.4 | 0.8 | 1.4 | 1.1 |
| Unemployment rate (%) | 7.8 | 7.5 | 7.2 | 6.6 | 6.3 |
| Retail sales | 1.6 | 2.3 | 4.1 | 4.2 | 3.9 |
| Housing starts (units) | 76,742 | 61,085 | 58,700 | 60,500 | 59,500 |
| Consumer price index | 1.4 | 1.1 | 2.2 | 1.4 | 2.2 |

Robert Hogue
Senior Economist



Economy's wheels turning a little faster

Momentum has been slow to build in 2014; however, there are signs that the wheels of Quebec's economy are now turning a little faster, which we believe will bode well for further modest acceleration in 2015. The most encouraging development in 2014 has been the strong advances achieved by Quebec exporters, particularly in the US market. We expect this source of growth to be a catalyst that will rejuvenate activity in a number of other economic sectors in 2015, including business investment and the struggling job market. We forecast Quebec's real GDP growth to pick up from 1.6% in 2014 to 2.0% in 2015, both representing a welcome improvement from a disappointingly low rate of 1.0% in 2013. Nonetheless, momentum in Quebec would continue to be slower than in Canada overall. For 2016, we expect a rate of 1.7%, thus maintaining most of the additional thrust gained in 2014 and 2015.

Mixed state of affairs in 2014: labour market stalled...

The economic performance has been mixed in Quebec so far in 2014. On one side, job creation stalled in the province with employment in the first 11 months remaining flat compared to the same period a year ago. Even more disappointing was the fact that the jobs that were created were predominantly part-time positions. The number of employed in the private sector and those with full-time positions fell. Weak labour market conditions weighed on consumer confidence and hampered demand for major items such as housing, especially during the first half of the year.

...while export sector advanced

On the positive side, however, Quebec's merchandise exports have grown quite strongly in 2014 (up 7.7% year to date on a constant-dollar basis). And the better news on that front is that gains have been broadly based across product categories. Nearly all of Quebec's top export commodities—including aluminum, aircrafts and parts, iron ore, primary metals, pharmaceutical products, newsprint, and softwood lumber—have recorded noticeable increases. It appears that Quebec exporters are seizing the opportunities offered by strengthening US demand and a lower value for the Canadian dollar.

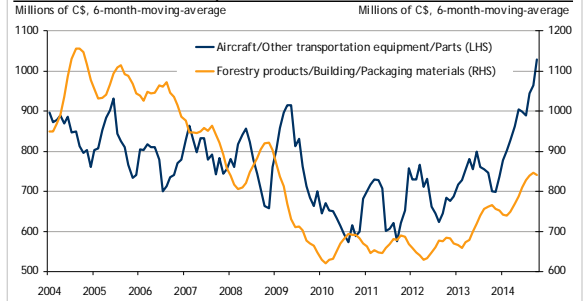
Export-driven expansion in 2015

We expect that growing exports will continue to drive economic growth in the province in 2015. In fact, we anticipate the benefits to spread to other sectors and help broaden the expansion. A boost to Quebec's manufacturing sector is already under way—manufacturing sales were up nearly 7% in the first nine months of 2014—and we expect the wave to reach business investment and the job market next in 2015.

Expected pickup in job creation positive for household sector

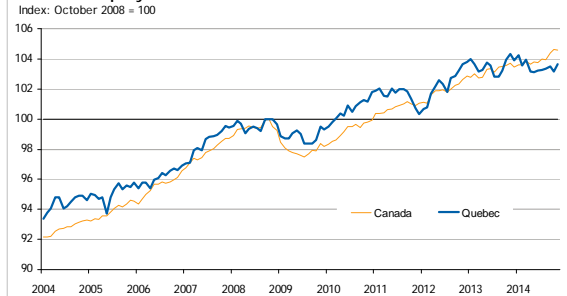
Resuming job creation in the province, in turn, will boost prospects for the household sector and support continued growth in consumer spending. We expect lower gasoline prices to lend a helping hand as well at the margin. We forecast retail sales to increase at a faster rate of 3.6% in 2015 compared to 2.9% in 2014. The upside for the housing construction sector, however, is likely to be skewed toward home renovations. Renovation activity surged in 2014—in part due to a provincial government's tax incentive program—and we expect further growth in 2015. By contrast, we expect new home building activity to follow a downward trajectory in 2015, thereby reflecting among other things the need to clear an excess of condo inventories.

Quebec merchandise exports



Source: Statistics Canada, RBC Economics Research

Quebec employment



Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

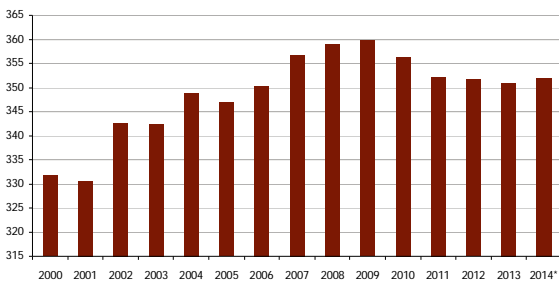
% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 1.5 | 1.0 | 1.6 | 2.0 | 1.7 |
| Nominal GDP | 3.4 | 1.5 | 3.2 | 3.9 | 3.3 |
| Employment | 0.8 | 1.2 | 0.0 | 0.7 | 0.9 |
| Unemployment rate (%) | 7.8 | 7.6 | 7.8 | 7.4 | 7.2 |
| Retail sales | 1.2 | 2.5 | 2.9 | 3.6 | 3.3 |
| Housing starts (units) | 47,367 | 37,758 | 39,100 | 35,000 | 34,300 |
| Consumer price index | 2.1 | 0.8 | 1.3 | 1.3 | 2.2 |

Robert Hogue
Senior Economist

New Brunswick employment

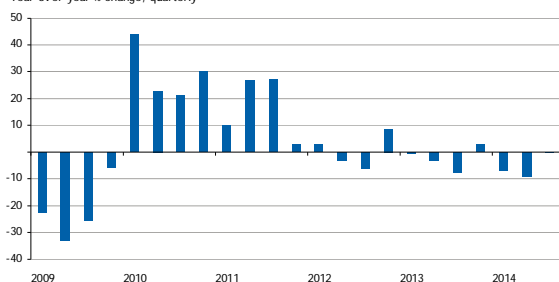
Total average annual employment, 000s.



* 2014 figures are an average to November.
Source: Statistics Canada, RBC Economics Research

New Brunswick merchandise exports

Year-over-year % change, quarterly



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | -0.4 | -0.5 | 1.0 | 1.8 | 1.4 |
| Nominal GDP | 1.1 | 0.5 | 2.7 | 3.4 | 3.1 |
| Employment | -0.2 | -0.1 | 0.4 | 0.4 | 0.2 |
| Unemployment rate (%) | 10.2 | 10.4 | 9.7 | 9.5 | 9.5 |
| Retail sales | -0.7 | 0.7 | 3.6 | 3.0 | 2.7 |
| Housing starts (units) | 3,299 | 2,843 | 2,400 | 2,800 | 3,000 |
| Consumer price index | 1.7 | 0.8 | 1.4 | 1.1 | 2.4 |

Gerard Walsh
Economist

Switching to expansion mode

Recently released real GDP figures show that New Brunswick’s economy shrank for the second consecutive year in 2013. More current data, disappointingly, offer little indication that vitality returned in any meaningful way in 2014. Merchandise exports have declined year to date in 2014, and the housing market is still stubbornly weak. Nevertheless, we expect the provincial economy to edge out a 1.0% gain in 2014 before accelerating to 1.8% 2015 as exports rise to meet growing US demand, investments in new capacity advance, and expanding employment lifts the domestic economy. Our initial real GDP forecast for 2016 is a growth rate of 1.4%.

Mining and energy stumble but are poised for growth ahead

Maintenance-related shutdowns at the oil refinery in Saint John held back energy exports so far in 2014, contributing to a 6% decline in exports overall. Mining exports have also slumped. Reflecting recent mine closures and falling potash prices, year-to-date nominal exports of metal and mineral products are down 41%. In 2015, the mining industry is expected to pick up as the multi-billion dollar Picadilly potash project ramps up production and eventually replaces the nearby mine at Sussex. Looking ahead, a number of other mining projects are taking shape, which will diversify the New Brunswick mining industry, support the construction industry as they are built, and boost mining output once they are commissioned. Work is expected to begin on the Sisson tungsten mine project in 2015 for a two-year construction phase. After a preliminary economic assessment this year, the Caribou mine and mill (producing zinc, copper, lead, silver, and gold) is scheduled to reopen in early 2015.

Forestry exports rise as major capital projects advance

Bucking the falling export trend in 2014, forestry product shipments have posted steady gains. The New Brunswick government announced an increase in the allowable cut of Crown softwood early in the year, and substantial investment spending is expected to increase the industry’s capacity in the coming years, principally at a pulp and paper mill in Saint John. As capacity expands, the industry will benefit from rising lumber prices and demand from a recovering US housing market. Moreover, increased investment spending should support a sagging construction industry, which has faced declining housing starts in 2014.

Unemployment falls as firms begin to hire and the workforce shrinks

Despite the weakness in exports, the province is set to add jobs in 2014, after four years of declines. Job gains in private services are driving overall employment growth while goods-producing employment continued to slide as the construction and manufacturing sectors shed workers. We expect the losses in these sectors to be reversed in 2015 as stronger exports create manufacturing jobs and capital investment prompts hiring in construction. While employment growth has been limited thus far, the province’s high unemployment rate has continually fallen, reaching 9.6% in November, because of a declining labour force and working-age population. New Brunswick has seen a steady outflow of people to other provinces, which is only partially offset by immigration flows. The people leaving the province tend to be young, 58% of out-migrants since 2000 have been under the age of 30, thereby exacerbating the ageing of the New Brunswick’s population.

Natural gas and surging exports put wind in Nova Scotia's sails

After remaining disappointingly weak since 2011, we expect Nova Scotia's economy to show a welcomed pickup in activity in 2014. Growth so far in 2014 has been driven by surging natural gas production following the start of operations at the Deep Panuke offshore project in the fall of 2013, along with expanding non-energy exports and increased spending on major capital projects. Growth in the external sector is offsetting a weaker domestic economy that faces mounting demographic headwinds. Going forward, as exports continue to benefit from a weak Canadian dollar and major projects including the multi-billion dollar shipbuilding contract advance, provincial employment should strengthen, thereby reversing the losses that occurred in 2013 and 2014. Following lacklustre real GDP growth of 0.3% in 2013, we expect acceleration to 2.2% in 2014. Thereafter, continued strength in exports, manufacturing, and a rejuvenated domestic economy should sustain steady growth of 2.2% in 2015 and 1.9% in 2016.

Led by natural gas, exports remain on track for a strong year in 2014

Despite maturation-related declines at the Sable Island offshore site, natural gas output surged in the province in 2014. The increase in natural gas production and exports resulted from 2014 being the first full year of operations at Deep Panuke, which began to produce at meaningful levels in the fall of 2013. Non-energy exports have also showed strong gains so far in 2014. Exports of tires—the province's largest export category—remain elevated despite plans to scale back production at a plant in Granton. Moreover, exports of fish and seafood products are up 24% year to date driven by growing Chinese and Japanese demand. Going forward, export growth is expected to slow, albeit to a still solid pace thanks to rising demand from the United States and a lower Canadian dollar.

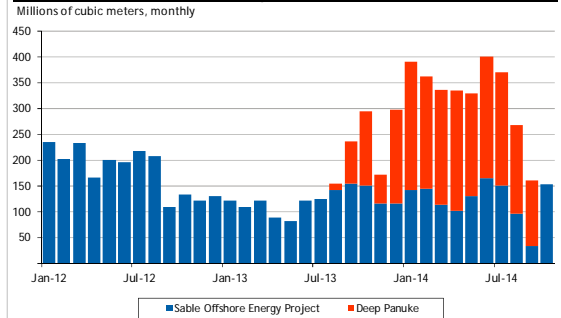
The domestic economy carries on

Recent job numbers have been somewhat volatile; however, it appears that Nova Scotia is heading toward another year of net job losses in 2014 as private-sector employment slides. These job losses may partly reflect weakness in domestically oriented sectors due to demographic headwinds. In housing, for example, a declining working-age population since 2010 is undoubtedly weighing on demand and homebuilding activity—both housing starts and residential investment are significantly lower in 2014. Looking ahead, we expect that US-led growth and work on major projects will boost construction and manufacturing employment, and set a positive overall for Nova Scotia's job market in 2015.

Centred on Halifax, capital projects continue to advance

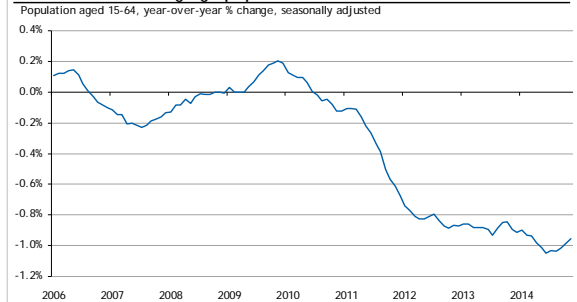
The \$300-million expansion that is currently underway at the Halifax shipyard is scheduled to give way to the 'cutting of steel' in 2015 as new patrol vessels begin taking shape in September of that year. Construction continues on the \$500-million Nova Centre, a large mixed-use development in downtown Halifax, which is scheduled for completion in 2015. Outside of Halifax, a three-year construction phase is set to ramp up on the Maritime Link, which will connect the electrical grids of Newfoundland and Labrador and Nova Scotia. Over a longer horizon, manufacturing activity is poised to get a prolonged boost from shipbuilding as work gets underway on replacing the Royal Canadian Navy's surface fleet.

Nova Scotia offshore natural gas production



Source: Canada-Nova Scotia Offshore Petroleum Board, RBC Economics Research

Nova Scotia working-age population



Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | -0.3 | 0.3 | 2.2 | 2.2 | 1.9 |
| Nominal GDP | -0.4 | 2.4 | 4.5 | 4.2 | 3.7 |
| Employment | 0.6 | -0.4 | -1.3 | 1.0 | 0.5 |
| Unemployment rate (%) | 9.0 | 9.0 | 8.8 | 8.5 | 8.3 |
| Retail sales | 1.0 | 2.9 | 2.9 | 3.3 | 2.9 |
| Housing starts (units) | 4,522 | 3,919 | 3,000 | 3,400 | 3,800 |
| Consumer price index | 1.9 | 1.2 | 1.8 | 1.2 | 2.4 |

Gerard Walsh
Economist

Trade will drive growth during the coming years

Modest growth is expected in Prince Edward Island in the coming years as lingering weakness in the domestic economy and ongoing public-sector restraint act as a drag on economic activity. Exports showed strength in 2014, especially in manufacturing and agricultural products, while capital spending has pulled back, thereby causing projected growth in the provincial economy to slow to 1.4%. In 2015, growth is expected to slow further to 1.2% as exports expand more slowly. Thereafter, continued growth in exports and a healthier domestic economy should push growth to 1.6% in 2016.

More exports head out...

After a strong handoff from 2013, merchandise exports continued to surge in 2014, rising 20% year to date from the same period a year earlier. Sales of farming and fishing products expanded strongly, while food manufacturing was not set back by the closure of a prominent french fry plant in Borden-Carleton. Despite slumping shipments to the United States, aerospace exports have continued to expand thanks to gains in European and other markets. Rising manufacturing exports have flowed through to employment, thereby boosting manufacturing payrolls by 11% so far this year. Looking ahead, investments in expanded capacity, growing US demand, and a weakened Canadian dollar all point to continued strength ahead for Prince Edward Island exporters.

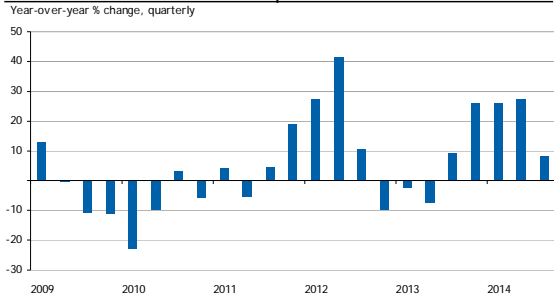
...and more tourists head in

We expect the province to eke out small employment gains this year as private-sector job creation is offset by job losses in the public sector, especially in education and public administration, and declines among the self-employed. Celebrations related to the 150th anniversary of the 1864 Charlottetown Conference supported the tourism industry and room-nights sold and overnight stays by international and Canadian visitors rose modestly. Despite this increase in tourist arrivals, employment in accommodation and food, services and information, cultural, and recreation industries has slumped, thereby resulting in only modest employment growth in private services. This did not prevent the unemployment rate from falling substantially so far in 2014, as it was outpaced by even greater declines in the labour force.

Construction eases after a strong 2013

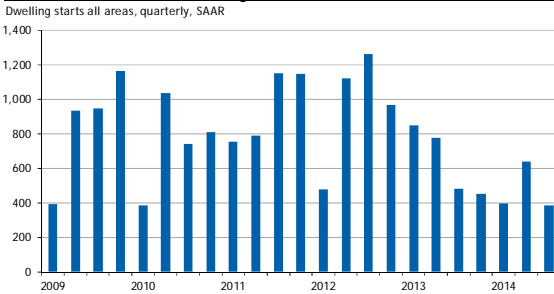
Economic growth was impeded in 2014 by an 11% decline in capital investment, thereby reversing an earlier rise. Declining investment is concentrated in the public sector, where provincial spending is set to fall by 25% in 2014—and a rebound does not appear to be forthcoming. The province’s capital budget that it delivered in the fall of 2014 showed a declining path of planned spending on new construction and infrastructure investment in the coming years. In the private sector, planned capital spending on structures and machinery and equipment also edged lower in 2014, but rising exports and a recent strengthening in non-residential construction activity point to some upside going forward. Despite a pickup in overall population growth in 2014, the increase was entirely among those aged 65 and older, and the province’s working-age population declined. These changing demographics may be weighing on housing demand in the province. Housing starts remain subdued in 2014 after declining steeply in 2013. Going forward, we expect that new housing construction will benefit from a projected improvement in the labour market.

Prince Edward Island nominal exports



Source: Statistics Canada, RBC Economics Research

Prince Edward Island housing starts



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

| % change unless otherwise indicated | 2012 | 2013 | 2014F | 2015F | 2016F |
|-------------------------------------|------|------|-------|-------|-------|
| Real GDP | 1.0 | 2.0 | 1.4 | 1.2 | 1.6 |
| Nominal GDP | 1.9 | 5.0 | 3.1 | 2.9 | 3.2 |
| Employment | 1.1 | 1.8 | 0.2 | 1.3 | 0.9 |
| Unemployment rate (%) | 11.3 | 11.5 | 10.6 | 10.2 | 9.9 |
| Retail sales | 3.2 | 0.8 | 3.4 | 3.7 | 3.4 |
| Housing starts (units) | 941 | 636 | 500 | 630 | 600 |
| Consumer price index | 2.0 | 2.0 | 1.7 | 1.1 | 2.4 |

Gerard Walsh
Economist



Newfoundland & Labrador

Modest improvement on the way

After growing at a blistering 7.2% rate in 2013, we expect the economy of Newfoundland and Labrador to slow to a crawl in 2014 as energy production and capital spending moderate. In 2015, employment and real GDP growth should advance somewhat faster as work ramps up on a number of large projects and manufacturing activity picks up. Steep declines in oil prices, however, are expected to weigh on the domestic economy and public sector. We expect Newfoundland and Labrador to see 0.5% real GDP growth in 2014 before accelerating modestly to 1.1% in 2015. Our initial forecast for 2016 calls for renewed headwinds restraining growth to a meagre 0.7%.

Low energy prices to affect government budgets although major projects remain on track

The energy sector surged in 2013 as production recovered from extensive maintenance shutdowns. In 2014, overall production volumes fell as output declined at the larger offshore oil fields. Recent declines in oil production and prices notwithstanding, nominal energy exports are expected to increase in 2014 thanks to strength early in the year. The sharp decline in global oil prices has created uncertainty for both the energy sector and the provincial government. In recent years, the provincial government has derived nearly one-third of its revenues from offshore oil royalties, and falling prices threaten to send those revenues tumbling. In response, the province has begun to announce measures to contain spending. Full details are expected in early December 2014 but have not yet been released as this report goes to press. Nevertheless, there are reasons to be cautiously optimistic about the provincial economy's prospects. Provincial oil production will get a boost from the planned start of production at the South White Rose Extension early in 2015. We also expect capital investment to remain elevated as work continues on the \$14-billion Hebron project, which is scheduled for completion by 2017.

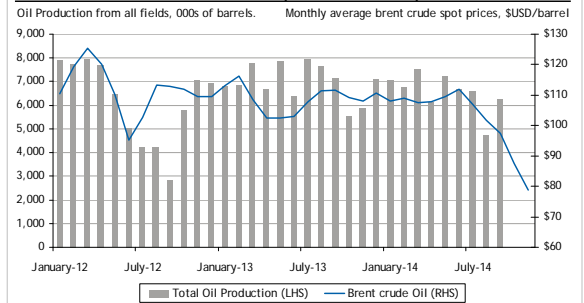
Rocky times for non-energy mining

The province's non-energy mining industry is dominated by iron ore production. Slowing Chinese demand for the commodity and a glut of new supply have depressed global prices and are creating challenges for the industry. The Wabush mine, which was idled in February 2014, has now closed, and nominal exports of iron ore are down 33% year to date. While a quick turnaround in the non-energy mining outlook is unlikely, we expect the ramping up of production at the Direct Shipping Ore project and the Long Harbour nickel project will provide support going forward. Capital spending in the mining industry could see a boost after 2015, if construction of an underground nickel mine at Voisey's Bay is approved. Work on this project would help offset the completion of the Hydromet facility at Long Harbour as it moves into its production phase.

Domestic doldrums

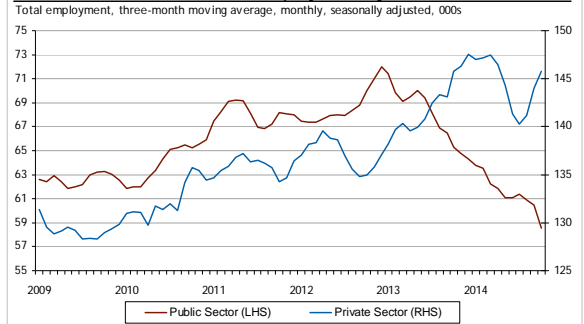
The advance of major projects in mining and offshore energy in 2015 will coincide with peak employment at the Muskrat Falls hydroelectric development. Work on these investments should help to contain job losses in the construction industry, which partly reflects declines in new housing activity. We expect overall employment in the province to drop by 2.2% in 2014 as steep losses in the public sector more than offset an increase in private-sector employment.

Newfoundland and Labrador oil production and prices



Source: RBC Economics Research, Haver, Canada-Newfoundland and Labrador Offshore Petroleum Board

Newfoundland and Labrador employment by sector



Source: Statistics Canada, RBC Economics Research

Newfoundland forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014F | 2015F | 2016F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | -4.5 | 7.2 | 0.5 | 1.1 | 0.7 |
| Nominal GDP | -3.4 | 10.7 | 2.3 | -0.9 | 4.2 |
| Employment | 2.3 | 1.0 | -2.2 | 0.9 | -0.2 |
| Unemployment rate (%) | 12.5 | 11.4 | 12.1 | 11.9 | 12.7 |
| Retail sales | 4.5 | 5.0 | 3.5 | 3.2 | 2.3 |
| Housing starts (units) | 3,885 | 2,862 | 2,300 | 2,700 | 3,200 |
| Consumer price index | 2.1 | 1.7 | 2.0 | 1.4 | 2.4 |

Gerard Walsh
Economist

Forecast detail

Average annual % change unless otherwise indicated

| | Real GDP | | | | Nominal GDP | | | | Employment | | | | Unemployment rate % | | | | Housing starts Thousands | | | | Retail sales | | | | CPI | | | |
|---------|----------|-----|-----|-----|-------------|-----|------|-----|------------|------|-----|------|---------------------|------|------|------|--------------------------|------|------|------|--------------|-----|-----|-----|------|-----|-----|-----|
| | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F | 13 | 14F | 15F | 16F |
| N. & L. | 7.2 | 0.5 | 1.1 | 0.7 | 10.7 | 2.3 | -0.9 | 4.2 | 1.0 | -2.2 | 0.9 | -0.2 | 11.4 | 12.1 | 11.9 | 12.7 | 2.9 | 2.3 | 2.7 | 3.2 | 5.0 | 3.5 | 3.2 | 2.3 | 1.7 | 2.0 | 1.4 | 2.4 |
| P.E.I. | 2.0 | 1.4 | 1.2 | 1.6 | 5.0 | 3.1 | 2.9 | 3.2 | 1.8 | 0.2 | 1.3 | 0.9 | 11.5 | 10.6 | 10.2 | 9.9 | 0.6 | 0.5 | 0.6 | 0.6 | 0.8 | 3.4 | 3.7 | 3.4 | 2.0 | 1.7 | 1.1 | 2.4 |
| N.S. | 0.3 | 2.2 | 2.2 | 1.9 | 2.4 | 4.5 | 4.2 | 3.7 | -0.4 | -1.3 | 1.0 | 0.5 | 9.0 | 8.8 | 8.5 | 8.3 | 3.9 | 3.0 | 3.4 | 3.8 | 2.9 | 2.9 | 3.3 | 2.9 | 1.2 | 1.8 | 1.2 | 2.4 |
| N.B. | -0.5 | 1.0 | 1.8 | 1.4 | 0.5 | 2.7 | 3.4 | 3.1 | -0.1 | 0.4 | 0.4 | 0.2 | 10.4 | 9.7 | 9.5 | 9.5 | 2.8 | 2.4 | 2.8 | 3.0 | 0.7 | 3.6 | 3.0 | 2.7 | 0.8 | 1.4 | 1.1 | 2.4 |
| QUE. | 1.0 | 1.6 | 2.0 | 1.7 | 1.5 | 3.2 | 3.9 | 3.3 | 1.2 | 0.0 | 0.7 | 0.9 | 7.6 | 7.8 | 7.4 | 7.2 | 37.8 | 39.1 | 35.0 | 34.3 | 2.5 | 2.9 | 3.6 | 3.3 | 0.8 | 1.3 | 1.3 | 2.2 |
| ONT. | 1.3 | 2.3 | 3.1 | 2.3 | 2.4 | 4.1 | 5.2 | 3.9 | 1.4 | 0.8 | 1.4 | 1.1 | 7.5 | 7.2 | 6.6 | 6.3 | 61.1 | 58.7 | 60.5 | 59.5 | 2.3 | 4.1 | 4.2 | 3.9 | 1.1 | 2.2 | 1.4 | 2.2 |
| MAN. | 2.2 | 1.8 | 2.9 | 2.3 | 3.7 | 3.4 | 4.0 | 4.0 | 0.5 | 0.1 | 1.5 | 1.0 | 5.3 | 5.4 | 5.1 | 5.0 | 7.5 | 6.6 | 6.7 | 5.8 | 3.9 | 3.7 | 4.1 | 4.0 | 2.3 | 1.9 | 1.3 | 2.3 |
| SASK. | 5.0 | 1.1 | 2.8 | 2.8 | 5.5 | 0.3 | 1.7 | 5.4 | 3.4 | 1.9 | 2.0 | 1.4 | 4.0 | 3.8 | 3.9 | 4.1 | 8.3 | 8.6 | 7.9 | 7.0 | 5.1 | 5.0 | 4.3 | 4.1 | 1.4 | 2.4 | 1.8 | 2.8 |
| ALTA. | 3.8 | 4.1 | 2.7 | 2.3 | 7.1 | 7.7 | -1.7 | 5.9 | 2.9 | 3.0 | 1.8 | 1.4 | 4.6 | 4.6 | 4.5 | 4.9 | 36.0 | 41.4 | 37.8 | 34.5 | 6.9 | 8.1 | 4.2 | 4.0 | 1.4 | 2.6 | 1.2 | 2.0 |
| B.C. | 1.9 | 2.8 | 2.9 | 2.5 | 3.2 | 4.4 | 4.0 | 4.4 | -0.2 | 0.9 | 1.3 | 1.0 | 6.6 | 6.1 | 5.7 | 5.7 | 27.1 | 28.8 | 29.3 | 25.0 | 2.4 | 5.3 | 4.2 | 4.2 | -0.1 | 1.1 | 1.1 | 2.0 |
| CANADA | 2.0 | 2.5 | 2.7 | 2.1 | 3.4 | 4.4 | 3.2 | 4.2 | 1.3 | 0.8 | 1.3 | 1.0 | 7.1 | 6.9 | 6.4 | 6.3 | 188 | 191 | 187 | 177 | 3.2 | 4.6 | 4.0 | 3.8 | 0.9 | 1.9 | 1.3 | 2.2 |

Key provincial comparisons

2013 unless otherwise indicated

| | N. & L. | P.E.I. | N.S. | N.B. | QUE | ONT | MAN | SASK | ALTA | B.C. |
|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Population (000s) | 528 | 146 | 943 | 756 | 8,154 | 13,551 | 1,265 | 1,106 | 4,007 | 4,583 |
| Gross domestic product (\$ billions) | 32.4 | 5.5 | 38.2 | 31.8 | 357.4 | 679.6 | 59.1 | 78.9 | 315.8 | 222.6 |
| Real GDP (\$2007 billions) | 29.6 | 5.0 | 36.0 | 28.3 | 331.2 | 632.4 | 56.5 | 62.7 | 303.0 | 215.2 |
| Share of provincial GDP of Canadian GDP (%) | 1.9 | 0.3 | 2.1 | 1.7 | 19.2 | 36.7 | 3.2 | 4.4 | 17.9 | 12.1 |
| Real GDP growth (CAGR, 2008-13, %) | 0.1 | 1.5 | 0.8 | 0.1 | 1.2 | 1.2 | 2.0 | 2.6 | 2.8 | 1.6 |
| Real GDP per capita (\$ 2007) | 56,017 | 34,404 | 38,223 | 37,415 | 40,622 | 46,666 | 44,639 | 56,693 | 75,605 | 46,964 |
| Real GDP growth rate per capita (CAGR, 2008-13, %) | -0.5 | 0.5 | 0.7 | -0.1 | 0.2 | 0.1 | 0.9 | 0.9 | 0.6 | 0.5 |
| Personal disposable income per capita (\$) | 31,579 | 26,439 | 27,604 | 27,431 | 26,774 | 30,401 | 27,900 | 33,050 | 40,303 | 31,647 |
| Employment growth (CAGR, 2008-13, %) | 1.3 | 1.3 | 0.1 | -0.4 | 0.8 | 0.6 | 0.8 | 1.6 | 1.5 | 0.4 |
| Employment rate (Nov. 2014, %) | 54.0 | 61.6 | 57.5 | 56.4 | 59.7 | 61.1 | 64.8 | 67.6 | 69.3 | 59.8 |
| Discomfort index (inflation + unemp. rate, Oct. 2014) | 13.8 | 10.4 | 10.7 | 10.9 | 9.9 | 9.3 | 6.3 | 6.0 | 7.5 | 7.2 |
| Manufacturing industry output (% of GDP) | 2.7 | 8.4 | 7.5 | 10.1 | 13.4 | 11.9 | 11.3 | 6.4 | 7.3 | 6.8 |
| Personal expenditures on goods & services (% of GDP) | 42.6 | 68.4 | 70.1 | 64.4 | 58.6 | 56.5 | 57.1 | 40.2 | 40.0 | 63.1 |
| International exports (% of GDP) | 43.0 | 20.2 | 20.0 | 47.3 | 25.7 | 32.6 | 25.7 | 41.6 | 32.5 | 21.7 |

Tables

British Columbia

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 199,270 | 194,214 | 200,628 | 206,225 | 211,124 | 215,218 | 221,340 | 227,847 | 233,543 |
| | % change | 1.1 | -2.5 | 3.3 | 2.8 | 2.4 | 1.9 | 2.8 | 2.9 | 2.5 |
| Nominal GDP | \$ millions | 203,951 | 195,966 | 205,996 | 217,460 | 222,565 | 229,685 | 239,712 | 249,227 | 260,184 |
| | % change | 3.5 | -3.9 | 5.1 | 5.6 | 2.3 | 3.2 | 4.4 | 4.0 | 4.4 |
| Employment | thousands | 2,266 | 2,218 | 2,257 | 2,275 | 2,313 | 2,308 | 2,328 | 2,359 | 2,382 |
| | % change | 2.0 | -2.1 | 1.7 | 0.8 | 1.7 | -0.2 | 0.9 | 1.3 | 1.0 |
| Unemployment rate | % | 4.6 | 7.7 | 7.6 | 7.5 | 6.7 | 6.6 | 6.1 | 5.7 | 5.7 |
| Retail sales | \$ millions | 57,794 | 55,288 | 58,251 | 60,090 | 61,255 | 62,734 | 66,083 | 68,849 | 71,763 |
| | % change | 1.5 | -4.3 | 5.4 | 3.2 | 1.9 | 2.4 | 5.3 | 4.2 | 4.2 |
| Housing starts | units | 34,321 | 16,077 | 26,479 | 26,400 | 27,465 | 27,054 | 28,800 | 29,300 | 25,000 |
| | % change | -12.4 | -53.2 | 64.7 | -0.3 | 4.0 | -1.5 | 6.5 | 1.7 | -14.7 |
| Consumer price index | 2002=100 | 112.3 | 112.3 | 113.8 | 116.5 | 117.8 | 117.7 | 119.0 | 120.4 | 122.7 |
| | % change | 2.1 | 0.0 | 1.4 | 2.3 | 1.1 | -0.1 | 1.1 | 1.1 | 2.0 |

Alberta

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 263,515 | 252,811 | 264,164 | 279,277 | 291,855 | 302,966 | 315,521 | 324,040 | 331,493 |
| | % change | 1.7 | -4.1 | 4.5 | 5.7 | 4.5 | 3.8 | 4.1 | 2.7 | 2.3 |
| Nominal GDP | \$ millions | 295,126 | 246,717 | 270,100 | 299,142 | 315,803 | 338,166 | 364,093 | 357,845 | 379,071 |
| | % change | 13.9 | -16.4 | 9.5 | 10.8 | 5.6 | 7.1 | 7.7 | -1.7 | 5.9 |
| Employment | thousands | 2,054 | 2,025 | 2,017 | 2,094 | 2,150 | 2,211 | 2,277 | 2,317 | 2,350 |
| | % change | 3.1 | -1.4 | -0.4 | 3.8 | 2.6 | 2.9 | 3.0 | 1.8 | 1.4 |
| Unemployment rate | % | 3.6 | 6.6 | 6.5 | 5.5 | 4.6 | 4.6 | 4.6 | 4.5 | 4.9 |
| Retail sales | \$ millions | 61,620 | 56,489 | 59,849 | 63,945 | 68,408 | 73,109 | 79,005 | 82,358 | 85,651 |
| | % change | 0.2 | -8.3 | 5.9 | 6.8 | 7.0 | 6.9 | 8.1 | 4.2 | 4.0 |
| Housing starts | units | 29,164 | 20,298 | 27,088 | 25,704 | 33,396 | 36,011 | 41,400 | 37,800 | 34,500 |
| | % change | -39.7 | -30.4 | 33.5 | -5.1 | 29.9 | 7.8 | 15.0 | -8.7 | -8.7 |
| Consumer price index | 2002=100 | 121.6 | 121.5 | 122.7 | 125.7 | 127.1 | 128.9 | 132.2 | 133.8 | 136.5 |
| | % change | 3.2 | -0.1 | 1.0 | 2.4 | 1.1 | 1.4 | 2.6 | 1.2 | 2.0 |

Saskatchewan

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 55,183 | 52,553 | 54,756 | 57,938 | 59,737 | 62,716 | 63,431 | 65,207 | 67,033 |
| | % change | 5.6 | -4.8 | 4.2 | 5.8 | 3.1 | 5.0 | 1.1 | 2.8 | 2.8 |
| Nominal GDP | \$ millions | 67,695 | 60,326 | 63,379 | 74,605 | 78,873 | 83,222 | 83,500 | 84,893 | 89,496 |
| | % change | 29.6 | -10.9 | 5.1 | 17.7 | 5.7 | 5.5 | 0.3 | 1.7 | 5.4 |
| Employment | thousands | 513 | 519 | 524 | 526 | 537 | 555 | 566 | 577 | 585 |
| | % change | 1.7 | 1.3 | 0.9 | 0.3 | 2.1 | 3.4 | 1.9 | 2.0 | 1.4 |
| Unemployment rate | % | 4.1 | 4.8 | 5.2 | 5.0 | 4.7 | 4.0 | 3.8 | 3.9 | 4.1 |
| Retail sales | \$ millions | 14,676 | 14,605 | 15,103 | 16,199 | 17,405 | 18,301 | 19,217 | 20,034 | 20,853 |
| | % change | 11.8 | -0.5 | 3.4 | 7.3 | 7.4 | 5.1 | 5.0 | 4.3 | 4.1 |
| Housing starts | units | 6,828 | 3,866 | 5,907 | 7,031 | 9,968 | 8,290 | 8,600 | 7,900 | 7,000 |
| | % change | 13.7 | -43.4 | 52.8 | 19.0 | 41.8 | -16.8 | 3.7 | -8.1 | -11.4 |
| Consumer price index | 2002=100 | 115.9 | 117.1 | 118.7 | 122.0 | 123.9 | 125.7 | 128.7 | 131.0 | 134.6 |
| | % change | 3.2 | 1.1 | 1.3 | 2.8 | 1.6 | 1.4 | 2.4 | 1.8 | 2.8 |

Manitoba

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 51,157 | 51,048 | 52,379 | 53,487 | 55,252 | 56,486 | 57,528 | 59,196 | 60,528 |
| | % change | 3.8 | -0.2 | 2.6 | 2.1 | 3.3 | 2.2 | 1.8 | 2.9 | 2.3 |
| Nominal GDP | \$ millions | 51,920 | 50,636 | 52,896 | 55,758 | 59,126 | 61,323 | 63,412 | 65,936 | 68,600 |
| | % change | 5.4 | -2.5 | 4.5 | 5.4 | 6.0 | 3.7 | 3.4 | 4.0 | 4.0 |
| Employment | thousands | 608 | 608 | 620 | 624 | 630 | 633 | 634 | 643 | 650 |
| | % change | 1.7 | 0.0 | 1.9 | 0.8 | 0.9 | 0.5 | 0.1 | 1.5 | 1.0 |
| Unemployment rate | % | 4.2 | 5.2 | 5.4 | 5.4 | 5.3 | 5.3 | 5.4 | 5.1 | 5.0 |
| Retail sales | \$ millions | 14,983 | 14,920 | 15,770 | 16,443 | 16,652 | 17,297 | 17,944 | 18,682 | 19,421 |
| | % change | 6.9 | -0.4 | 5.7 | 4.3 | 1.3 | 3.9 | 3.7 | 4.1 | 4.0 |
| Housing starts | units | 5,537 | 4,174 | 5,888 | 6,083 | 7,242 | 7,465 | 6,600 | 6,700 | 5,800 |
| | % change | -3.5 | -24.6 | 41.1 | 3.3 | 19.1 | 3.1 | -11.6 | 1.5 | -13.4 |
| Consumer price index | 2002=100 | 113.4 | 114.1 | 115.0 | 118.4 | 120.3 | 123.0 | 125.3 | 126.9 | 129.8 |
| | % change | 2.2 | 0.6 | 0.8 | 2.9 | 1.6 | 2.3 | 1.9 | 1.3 | 2.3 |

Ontario

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 596,921 | 578,510 | 598,174 | 613,803 | 624,369 | 632,368 | 647,193 | 667,256 | 682,403 |
| | % change | -0.1 | -3.1 | 3.4 | 2.6 | 1.7 | 1.3 | 2.3 | 3.1 | 2.3 |
| Nominal GDP | \$ millions | 604,282 | 595,433 | 629,500 | 658,635 | 679,616 | 695,705 | 724,015 | 761,687 | 791,052 |
| | % change | 1.1 | -1.5 | 5.7 | 4.6 | 3.2 | 2.4 | 4.1 | 5.2 | 3.9 |
| Employment | thousands | 6,666 | 6,502 | 6,610 | 6,731 | 6,784 | 6,879 | 6,933 | 7,028 | 7,109 |
| | % change | 1.6 | -2.5 | 1.7 | 1.8 | 0.8 | 1.4 | 0.8 | 1.4 | 1.1 |
| Unemployment rate | % | 6.5 | 9.0 | 8.7 | 7.8 | 7.8 | 7.5 | 7.2 | 6.6 | 6.3 |
| Retail sales | \$ millions | 151,697 | 148,109 | 156,276 | 161,859 | 164,503 | 168,253 | 175,203 | 182,525 | 189,700 |
| | % change | 3.9 | -2.4 | 5.5 | 3.6 | 1.6 | 2.3 | 4.1 | 4.2 | 3.9 |
| Housing starts | units | 75,076 | 50,370 | 60,433 | 67,821 | 76,742 | 61,085 | 58,700 | 60,500 | 59,500 |
| | % change | 10.2 | -32.9 | 20.0 | 12.2 | 13.2 | -20.4 | -3.9 | 3.1 | -1.7 |
| Consumer price index | 2002=100 | 113.3 | 113.7 | 116.5 | 120.1 | 121.8 | 123.0 | 125.8 | 127.6 | 130.3 |
| | % change | 2.3 | 0.4 | 2.4 | 3.1 | 1.4 | 1.1 | 2.2 | 1.4 | 2.2 |

Quebec

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 311,626 | 309,683 | 316,886 | 323,210 | 328,082 | 331,231 | 336,676 | 343,410 | 349,076 |
| | % change | 1.9 | -0.6 | 2.3 | 2.0 | 1.5 | 1.0 | 1.6 | 2.0 | 1.7 |
| Nominal GDP | \$ millions | 313,595 | 315,531 | 329,670 | 345,732 | 357,431 | 362,846 | 374,559 | 389,080 | 402,026 |
| | % change | 2.5 | 0.6 | 4.5 | 4.9 | 3.4 | 1.5 | 3.2 | 3.9 | 3.3 |
| Employment | thousands | 3,880 | 3,848 | 3,915 | 3,954 | 3,984 | 4,032 | 4,031 | 4,059 | 4,094 |
| | % change | 1.2 | -0.8 | 1.7 | 1.0 | 0.8 | 1.2 | 0.0 | 0.7 | 0.9 |
| Unemployment rate | % | 7.2 | 8.5 | 8.0 | 7.8 | 7.8 | 7.6 | 7.8 | 7.4 | 7.2 |
| Retail sales | \$ millions | 94,816 | 93,759 | 99,590 | 102,556 | 103,753 | 106,301 | 109,365 | 113,276 | 116,985 |
| | % change | 4.9 | -1.1 | 6.2 | 3.0 | 1.2 | 2.5 | 2.9 | 3.6 | 3.3 |
| Housing starts | units | 47,901 | 43,403 | 51,363 | 48,387 | 47,367 | 37,758 | 39,100 | 35,000 | 34,300 |
| | % change | -1.3 | -9.4 | 18.3 | -5.8 | -2.1 | -20.3 | 3.6 | -10.5 | -2.0 |
| Consumer price index | 2002=100 | 112.7 | 113.4 | 114.8 | 118.3 | 120.8 | 121.7 | 123.3 | 124.9 | 127.7 |
| | % change | 2.1 | 0.6 | 1.3 | 3.0 | 2.1 | 0.8 | 1.3 | 1.3 | 2.2 |

Tables

New Brunswick

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 28,125 | 27,811 | 28,381 | 28,543 | 28,426 | 28,272 | 28,567 | 29,081 | 29,489 |
| | % change | 0.9 | -1.1 | 2.0 | 0.6 | -0.4 | -0.5 | 1.0 | 1.8 | 1.4 |
| Nominal GDP | \$ millions | 28,422 | 28,825 | 30,082 | 31,409 | 31,751 | 31,900 | 32,772 | 33,895 | 34,937 |
| | % change | 2.0 | 1.4 | 4.4 | 4.4 | 1.1 | 0.5 | 2.7 | 3.4 | 3.1 |
| Employment | thousands | 359 | 360 | 356 | 352 | 351 | 351 | 352 | 354 | 355 |
| | % change | 0.6 | 0.1 | -1.0 | -1.1 | -0.2 | -0.1 | 0.4 | 0.4 | 0.2 |
| Unemployment rate | % | 8.5 | 8.8 | 9.3 | 9.5 | 10.2 | 10.4 | 9.7 | 9.5 | 9.5 |
| Retail sales | \$ millions | 10,018 | 10,094 | 10,595 | 11,103 | 11,028 | 11,107 | 11,503 | 11,848 | 12,164 |
| | % change | 6.5 | 0.8 | 5.0 | 4.8 | -0.7 | 0.7 | 3.6 | 3.0 | 2.7 |
| Housing starts | units | 4,274 | 3,521 | 4,101 | 3,452 | 3,299 | 2,843 | 2,400 | 2,800 | 3,000 |
| | % change | 0.8 | -17.6 | 16.5 | -15.8 | -4.4 | -13.8 | -15.6 | 16.7 | 7.1 |
| Consumer price index | 2002=100 | 113.2 | 113.5 | 115.9 | 120.0 | 122.0 | 123.0 | 124.7 | 126.1 | 129.1 |
| | % change | 1.7 | 0.3 | 2.1 | 3.5 | 1.7 | 0.8 | 1.4 | 1.1 | 2.4 |

Nova Scotia

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 34,625 | 34,753 | 35,806 | 36,073 | 35,950 | 36,042 | 36,851 | 37,662 | 38,377 |
| | % change | 2.1 | 0.4 | 3.0 | 0.7 | -0.3 | 0.3 | 2.2 | 2.2 | 1.9 |
| Nominal GDP | \$ millions | 35,467 | 35,254 | 37,073 | 38,349 | 38,214 | 39,145 | 40,901 | 42,636 | 44,207 |
| | % change | 4.6 | -0.6 | 5.2 | 3.4 | -0.4 | 2.4 | 4.5 | 4.2 | 3.7 |
| Employment | thousands | 452 | 451 | 452 | 453 | 456 | 454 | 448 | 452 | 455 |
| | % change | 0.9 | -0.1 | 0.2 | 0.1 | 0.6 | -0.4 | -1.3 | 1.0 | 0.5 |
| Unemployment rate | % | 7.7 | 9.2 | 9.3 | 8.8 | 9.0 | 9.0 | 8.8 | 8.5 | 8.3 |
| Retail sales | \$ millions | 12,091 | 12,105 | 12,651 | 13,098 | 13,223 | 13,605 | 13,997 | 14,463 | 14,877 |
| | % change | 4.1 | 0.1 | 4.5 | 3.5 | 1.0 | 2.9 | 2.9 | 3.3 | 2.9 |
| Housing starts | units | 3,982 | 3,438 | 4,309 | 4,644 | 4,522 | 3,919 | 3,000 | 3,400 | 3,800 |
| | % change | -16.2 | -13.7 | 25.3 | 7.8 | -2.6 | -13.3 | -23.4 | 13.3 | 11.8 |
| Consumer price index | 2002=100 | 115.9 | 115.7 | 118.2 | 122.7 | 125.1 | 126.6 | 128.8 | 130.4 | 133.5 |
| | % change | 3.0 | -0.1 | 2.2 | 3.8 | 1.9 | 1.2 | 1.8 | 1.2 | 2.4 |

Prince Edward Island

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Real GDP | Chained \$2007 millions | 4,658 | 4,678 | 4,783 | 4,861 | 4,908 | 5,006 | 5,076 | 5,134 | 5,217 |
| | % change | 0.8 | 0.4 | 2.2 | 1.6 | 1.0 | 2.0 | 1.4 | 1.2 | 1.6 |
| Nominal GDP | \$ millions | 4,767 | 4,947 | 5,202 | 5,409 | 5,514 | 5,788 | 5,968 | 6,139 | 6,337 |
| | % change | 3.2 | 3.8 | 5.2 | 4.0 | 1.9 | 5.0 | 3.1 | 2.9 | 3.2 |
| Employment | thousands | 70 | 69 | 71 | 72 | 73 | 74 | 74 | 75 | 76 |
| | % change | 1.2 | -1.4 | 3.0 | 1.9 | 1.1 | 1.8 | 0.2 | 1.3 | 0.9 |
| Unemployment rate | % | 10.7 | 12.0 | 11.1 | 11.4 | 11.3 | 11.5 | 10.6 | 10.2 | 9.9 |
| Retail sales | \$ millions | 1,703 | 1,682 | 1,770 | 1,866 | 1,925 | 1,940 | 2,007 | 2,081 | 2,151 |
| | % change | 5.1 | -1.3 | 5.3 | 5.4 | 3.2 | 0.8 | 3.4 | 3.7 | 3.4 |
| Housing starts | units | 712 | 877 | 756 | 940 | 941 | 636 | 500 | 630 | 600 |
| | % change | -5.1 | 23.2 | -13.8 | 24.3 | 0.1 | -32.4 | -21.4 | 26.0 | -4.8 |
| Consumer price index | 2002=100 | 117.5 | 117.3 | 119.5 | 123.0 | 125.5 | 128.0 | 130.2 | 131.6 | 134.7 |
| | % change | 3.4 | -0.1 | 1.8 | 2.9 | 2.0 | 2.0 | 1.7 | 1.1 | 2.4 |

Newfoundland & Labrador

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014F | 2015F | 2016F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 29,369 | 26,464 | 28,033 | 28,904 | 27,592 | 29,588 | 29,736 | 30,063 | 30,273 |
| | % change | -1.2 | -9.9 | 5.9 | 3.1 | -4.5 | 7.2 | 0.5 | 1.1 | 0.7 |
| Nominal GDP | \$ millions | 31,434 | 24,972 | 29,063 | 33,497 | 32,365 | 35,832 | 36,658 | 36,320 | 37,836 |
| | % change | 5.8 | -20.6 | 16.4 | 15.3 | -3.4 | 10.7 | 2.3 | -0.9 | 4.2 |
| Employment | thousands | 219 | 212 | 219 | 225 | 231 | 233 | 228 | 230 | 229 |
| | % change | 1.1 | -3.0 | 3.4 | 2.7 | 2.3 | 1.0 | -2.2 | 0.9 | -0.2 |
| Unemployment rate | % | 13.2 | 15.5 | 14.4 | 12.7 | 12.5 | 11.4 | 12.1 | 11.9 | 12.7 |
| Retail sales | \$ millions | 7,009 | 7,121 | 7,453 | 7,833 | 8,182 | 8,589 | 8,887 | 9,169 | 9,379 |
| | % change | 7.4 | 1.6 | 4.7 | 5.1 | 4.5 | 5.0 | 3.5 | 3.2 | 2.3 |
| Housing starts | units | 3,261 | 3,057 | 3,606 | 3,488 | 3,885 | 2,862 | 2,300 | 2,700 | 3,200 |
| | % change | 23.1 | -6.3 | 18.0 | -3.3 | 11.4 | -26.3 | -19.6 | 17.4 | 18.5 |
| Consumer price index | 2002=100 | 114.3 | 114.6 | 117.4 | 121.4 | 123.9 | 126.0 | 128.6 | 130.4 | 133.4 |
| | % change | 2.9 | 0.3 | 2.4 | 3.4 | 2.1 | 1.7 | 2.0 | 1.4 | 2.4 |

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

®Registered trademark of Royal Bank of Canada.
©Royal Bank of Canada.