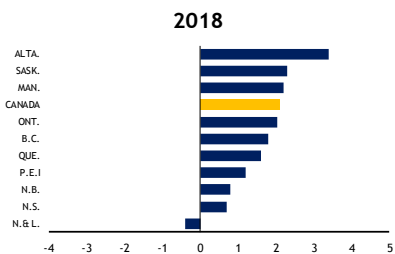
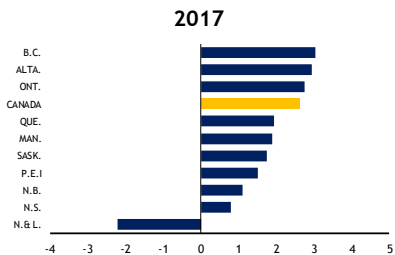
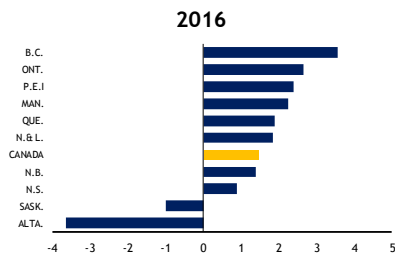


Real GDP growth

% 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

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

Western region holds the card for stronger growth in Canada

Turnaround story: Alberta and Saskatchewan back in growth mode in 2017, ending two year-long recessions.

BC outlook upgraded: to lead the country in growth for a third-straight year.

Steady pace in Central Canada: solid momentum in Ontario and Quebec to continue.

Mixed picture in Manitoba: growth to moderate slightly.

Slow grind in Atlantic region: last year's growth drivers lack follow-up.

Alberta and Saskatchewan are finally on a path of recovery

Western Canada holds the card for the stronger rate of growth that we project for the national economy in 2017. We expect recoveries in Alberta and Saskatchewan to be the primary factor that will boost Canada's growth from 1.5% last year to 2.6% this year. These recoveries along with continued expansion in British Columbia and Manitoba will allow western provinces as a group to contribute to Canada's economic growth for the first time in three years. Our outlook for British Columbia remains upbeat. In fact, we have boosted our growth forecast for 2017, maintaining the province at the top of our provincial growth rankings for the third consecutive year. Our view on Manitoba's prospects is not as bullish as it was last year but we continue to expect a respectable rate of expansion this year sustained by vigour in the farming and construction sectors.

Steady as she goes in Central Canada

We see little that would throw the economies of Ontario and Quebec off last year's course. We expect consumers, who have been a force to reckon with lately, to continue to be a significant source of growth. Governments will also pitch in with significant infrastructure investment and other spending and tax measures, while exporters will find growing opportunities abroad. We expect sanity to return in Ontario's housing market.

Demographic boost to fade in Atlantic Canada

Our outlook has growth slowing across the Atlantic region with Newfoundland and Labrador seeing activity contracting again after a short break last year. The projected slowing of the pace in some cases reflects a diminishing contribution from major capital projects as construction work winds down. More generally, it reflects our view that the boosting effect of last year's immigration wave across the region will fade this year.

Risks still abound

It's great to be looking at a broad-based expansion across provinces this year after two very difficult years in some parts of the country. But much of our turnaround story in Alberta and Saskatchewan rests on oil prices continuing to recover. These provinces' recoveries could be derailed if global oil prices weaken again. Increased protectionist sentiments in the US pose a substantial risk to all provinces. The upcoming renegotiation of NAFTA no doubt will generate a lot of uncertainty which could affect trade and investment decisions across Canada. The softwood lumber trade dispute poses a more immediate threat to forest-dependent communities in BC and Quebec in particular.

Keeping the lead after all

This BC economy just keeps on going. Not even a 40% correction in the Vancouver housing market seems to rattle it much. With so few signs of a slowdown out there at this stage, our previous forecasted growth rate of 1.9% for 2017 looked overly pessimistic. We have therefore boosted it to 3.0%, which keeps BC at the top of our provincial growth rankings for the third consecutive year. Yet we continue to expect that housing-related activity will contribute less to BC's expansion. The softwood lumber trade conflict with the US is another restraining factor that will weigh on provincial exports and the manufacturing sector. For these reasons, our view is that growth will moderate from the super-charged rate of 3.6% in 2016—a 10-year high. We expect further moderation in 2018 to 1.8% when we see renewed downward pressure on the housing market emerging in the face of rising interest rates.

Hard pressed to find signs of a slowdown

It has become repetitive but still nice to say: the majority of economic indicators in BC continue to paint a vibrant economy that carries a lot of momentum. The labour market is on fire. Employment growth, at 3.6%, is spectacular—far stronger than in any other province. BC has the second-lowest jobless rate (5.6% as of May) in the country after Manitoba. Population growth is at a 7-year high thanks to wave of migrants coming from abroad and other provinces. Sales of provincial retailers, wholesalers, manufacturers and restaurants continue to grow briskly—still lead the country in annual growth or ranking close to the top. Residential construction activity remains exceptionally strong even though housing starts have come off their 23-year high recorded last year. Work on condo units started last year will take a while to complete.

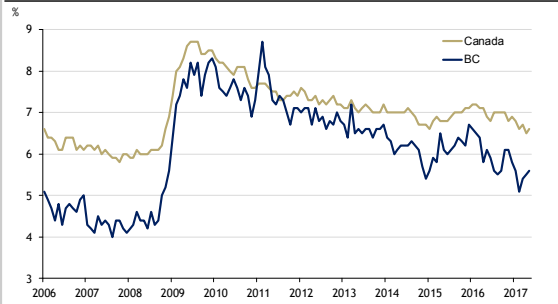
Housing correction: is this it?

The latest news on the BC housing market indicates that last year's downturn may have run its course. We see evidence that home resale activity in the Vancouver area, for example, has picked up this spring and that prices have begun to firm up again. Our view now is that the market will continue to recover gradually through the remainder of this year. This means that we no longer expect the housing sector to weigh on economic growth as much as we thought previously. Still, we see clouds forming over BC housing market again next year when we anticipate interest rates beginning to rise in Canada.

Major construction projects at risk?

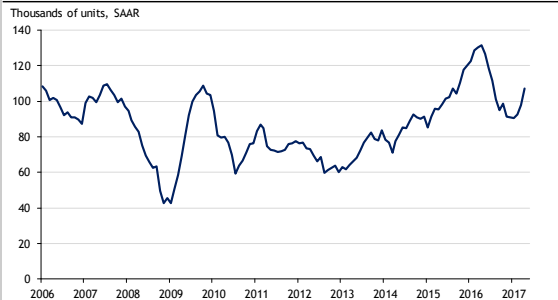
The economic implications of the May 9 provincial election aren't fully clear at this point but risks have increased for a couple of major capital projects in the province. The likelihood of a coalition government between the NDP and Green party puts into question the earlier nods given by the incumbent Liberal government to the \$8.3 billion Site C hydroelectric dam and \$7.4 billion Trans Mountain pipeline expansion. Under a pact signed at the end of May, an NDP-Greens coalition government would "employ every tool available" to stop the expansion of pipeline and ask for further regulatory review of the dam project. The risks to the economy of any delays or shelving of these projects are more about the medium to longer term prospects than an immediate hit. In both cases construction work was scheduled to be on a lower gear this year.

BC: Unemployment rate



Source: Statistics Canada, RBC Economics Research

BC: Home resales



Source: CREA, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.5	3.3	3.3	3.6	3.0	1.8
Nominal GDP	3.4	5.2	3.8	5.1	5.5	3.7
Employment	0.1	0.6	1.2	3.2	3.2	0.8
Unemployment rate (%)	6.6	6.1	6.2	6.0	5.7	5.9
Retail sales	2.8	6.3	6.9	7.4	5.8	4.6
Housing starts (units)	27,054	28,356	31,446	41,843	33,000	28,000
Consumer price index	-0.1	1.0	1.1	1.9	2.0	2.0

Robert Hogue
Senior Economist



Let the recovery begin!

Alberta’s economy is on the path of recovery. Signs of a turnaround are accumulating in so many corners of the economy, in fact, that we have boosted our growth forecast for the province in 2017 from 2.1% in our March Provincial Outlook report to 2.9%. This recovery, at its core, will be an energy story—and therefore dependent on oil prices resuming an upward trajectory. But other factors will play important roles as well, including improving confidence. While clearly representing welcome news, we don’t expect the recovery to bring quick relief to all: it will be gradual and uneven. The recession drilled a deep hole into the provincial economy—now looking deeper than we previously thought because we have revised last year’s contraction from -3.3% to -3.6%. It will take several years to climb out of it. We expect this climb to continue in 2018 with a growth rate of 3.4%.

The upturn has taken roots

We’re happy to report that the ‘green shoots’ of economic recovery we noted in our March Provincial Outlook have grown taller. Provincial employment has increased by more than 40,000 since last summer. The unemployment rate is now trending lower after reaching a cyclical peak of 9.0% in November. The energy sector has turned a corner and roughly doubled its drilling activity relative to the historical lows recorded last year. Alberta retailers enjoy rising sales again after two years of decline. Business at motor vehicle dealerships in particular has picked up quite noticeably. The Calgary and Edmonton housing markets are on the mend with home resales well ahead of year-ago levels. And even manufacturers who were hammered by the recession are showing double-digit sales gains in recent months. In short, we see clear, broad-based evidence that an economic upturn has taken root in Alberta.

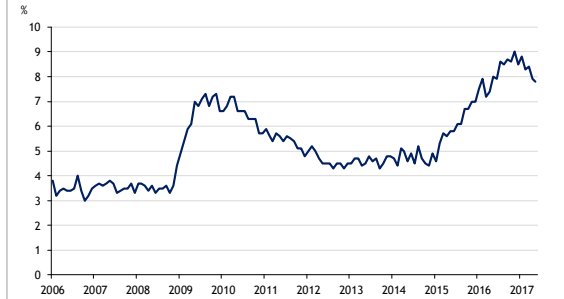
Confidence returning in the energy sector,...

These positive signs ultimately rest on an improved outlook for oil prices. There’s a general view by now that OPEC countries’ supply management has put a high enough floor on global oil prices to restore confidence in the viability of Alberta oil operations. The fact that production costs have been reduced noticeably in the province in the past couple of years also helps. The industry’s cash flow situation has improved since early 2016, and increasingly oil producers put this money to work by boosting their capital plans in the province. We expect Alberta’s oil and gas extraction industry sector to boost its capital expenditures—albeit modestly—in 2017 for the first time since 2014.

...although some of it may be tested by BC politics

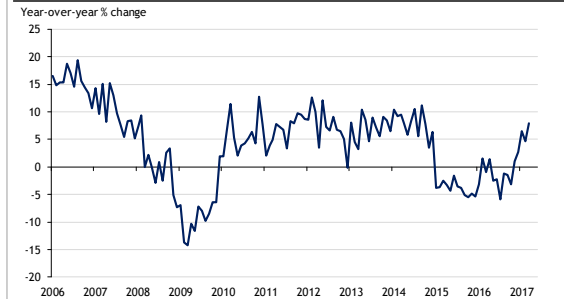
It may not be all smooth sailing ahead, however. The recent election results in British Columbia have increased risks for Alberta’s energy sector. Political parties vying to form a coalition government in BC have opposed Kinder Morgan’s Trans Mountain pipeline expansion project. This project was one of three—including Enbridge’s Line 3 and TransCanada Pipeline’s Keystone XL—that were approved since last fall. These three projects receiving the green light helped restore confidence in the energy sector because they addressed significant transportation bottleneck issues facing current, but more so, future oil production in Alberta.

Alberta: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Alberta: Retail sales



Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated						
	2013	2014	2015	2016F	2017F	2018F
Real GDP	5.7	5.0	-3.6	-3.6	2.9	3.4
Nominal GDP	9.6	8.9	-12.5	-5.7	10.5	7.5
Employment	2.5	2.2	1.2	-1.6	1.2	1.2
Unemployment rate (%)	4.6	4.7	6.0	8.1	7.9	6.9
Retail sales	7.1	7.9	-4.0	-1.2	5.0	3.8
Housing starts (units)	36,011	40,590	37,282	24,533	26,400	27,000
Consumer price index	1.4	2.6	1.2	1.1	2.1	2.0

Robert Hogue
Senior Economist

Higher oil prices brighten Saskatchewan’s outlook

We expect the Saskatchewan economy to start growing again this year after two years of contraction. We project activity to rise by 1.8% in 2017 and 2.3% in 2018 mainly on the basis that oil prices continue to recover gradually from their earlier slump.

Last year’s weakness was not quite as severe as we thought

While preliminary GDP estimates for 2016 from Statistics Canada showed that economic activity fell in Saskatchewan last year, the reported 1.0% drop was less than we anticipated in the March Provincial Outlook report. The mining sector slump continued to weigh significantly on the provincial economy. Yet, the 4.5% drop in mining output last year was about one-half the decline we assumed in our March forecast. Our view was based on a double-digit fall in oil production estimates from the National Energy Board (NEB). Statistics Canada’s estimates instead showed a much more moderate 3% drop in oil and gas extraction. Our forecast assumes that oil and gas production will rebound at rates of 4.5% this year and 3% in 2018. Early NEB production numbers for 2017 lead us to believe that this rebound so far is on track in the province.

Non-energy mining to remain under pressure in 2017

The downturn in oil and gas extraction was not the only culprit for Saskatchewan’s mining sector slump last year. Non-energy mining also dropped by 2.6%. This too was more modest than we anticipated. Industry production numbers for potash suggested a drop of more than 10% in the year. We expect that non-energy mining output will decline further this year by 4% amid continued potash production shutdowns in the province. Our outlook has potash production stabilizing in 2018 thanks to a strengthening in global demand for fertilizers. Aggregating both energy and non-energy sub-sectors, we expect overall mining activity in the province to increase by 2% in both 2017 and 2018.

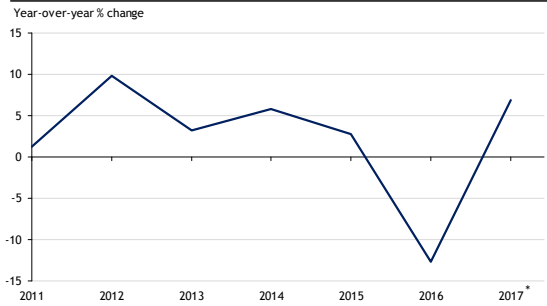
Construction activity to rebound

A sharp 14% drop in construction activity also contributed to the fall in economic activity last year in Saskatchewan. The weakness in the mining sector caused further retrenchment in the spending on major capital expenditure projects. We expect that a return to modest positive growth in the mining sector through our forecast will reduce the pace of decline in construction spending significantly this year and lead to a recovery in 2018. Statistic Canada’s most recent annual capital expenditure survey corroborated the marked weakness in capital spending in 2016 by showing a decline of almost 17%. The survey also indicated that spending intentions in 2017 increased by a modest 3%, which points to some upside risk to our construction outlook this year.

Agriculture to continue to grow

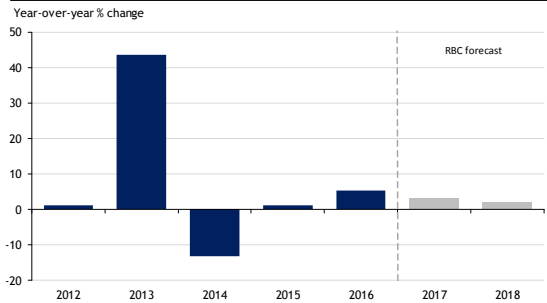
A sizeable increase in crop production last year sent agricultural activity up by 5.3%. This helped to temper the effects of declining sectors on the provincial economy. We expect the agricultural sector to continue to expand at rates of 3% in 2017 and 2% in 2018 on the assumption of normal growing conditions.

Saskatchewan: Crude oil production



*Forecast
Source: National Energy Board, RBC Economics Research

Saskatchewan: Agricultural production



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	6.3	2.4	-1.3	-1.0	1.8	2.3
Nominal GDP	6.7	1.3	-5.7	-4.3	6.8	5.4
Employment	3.1	1.0	0.5	-0.9	0.4	0.8
Unemployment rate (%)	4.1	3.8	5.0	6.3	6.2	5.8
Retail sales	5.4	5.0	-2.9	2.2	4.9	3.8
Housing starts (units)	8,290	8,257	5,149	4,775	4,600	4,800
Consumer price index	1.4	2.4	1.6	1.1	1.8	2.8

Paul Ferley
Assistant Chief Economist



Manitoba

Enough positive factors to keep the expansion going

We project the Manitoba economy to grow by 1.9% this year and 2.2% in 2018. The rate this year would represent a slight slowing from our estimated growth rate of 2.3% in 2016, which we revised upwardly from 1.7% in our March forecast. The more robust than anticipated growth rate in 2016 reflects greater strength in the agricultural and construction sectors. Gains in these areas more than offset a larger-than-expected decline in mining output.

Mining output to remain under pressure...

We expect lower mining output evident in 2016 to continue through our forecast. This reflects in part less mining momentum going into the forecast. Despite oil prices remaining on a recovery path, recent oil production statistics from the National Energy Board for the province show another double-digit decline so far in 2017. This is in contrast to our earlier expectation that oil production would strengthen modestly this year. Non-energy mining output both this year and next will be negatively impacted by the winding down of a large base metal mine in the province—though we had assumed as much in our forecast last quarter. We expect total mining output to drop 6% this year and hold steady in 2018.

...with construction spending expected to moderate

Construction spending rose by 8% last year in part because of ongoing capital expenditure by Manitoba Hydro on projects such as the Keeyask Generating Station and the Bipole III Transmission Line. Statistics Canada's latest annual survey of capital spending confirmed the strength last year but also indicated weaker spending intentions in 2017 despite ongoing work on Manitoba Hydro projects. This implies some pullback in private sector spending. Our forecast reflects a moderation in construction expenditures consistent with the capital expenditure survey, which is a key reason for the slowing in overall GDP growth this year relative to 2016.

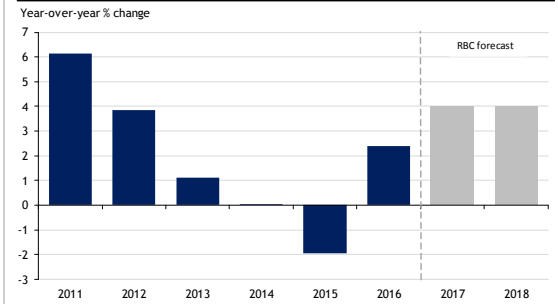
Manufacturing and agriculture to benefit from favourable conditions

Our forecast calls for Manitoba's manufacturing sector to boost its contribution to growth. This reflects our expectation for a strengthening in provincial exports amid growing US demand and a competitively-valued Canadian dollar. These factors were already at play in 2016 when manufacturing activity rose by 2.5% in the province following a nearly 2% decline in 2015. We expect the recovery in the energy sectors of Saskatchewan and Alberta will provide a further lift to Manitoba's manufacturing activity this year, which we project to rise 4% both this year and next. Our outlook for the provincial farming sector is similarly upbeat—premised upon normal weather conditions persisting and the achievement of further productivity gains in the sector.

Positive prospects for the labour market

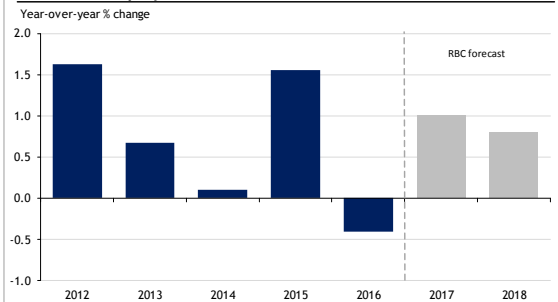
Labour market developments so far in 2017 have been encouraging with employment rising in the first quarter after declining modestly in 2016. The recent gains contributed to the unemployment rate dropping to 5.8% in the first quarter compared to an average of 6.1% in 2016. Our expectation for a positive economic landscape in the province bodes well for the recent improvement in the labour market to be sustained. We forecast employment to rise by 1.4% and the unemployment rate to ease to 5.6% in 2017.

Manitoba: Manufacturing output



Source: Statistics Canada, RBC Economics Research

Manitoba: Employment



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise indicated						
	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.8	1.5	2.2	2.3	1.9	2.2
Nominal GDP	4.2	2.5	3.1	2.9	4.0	4.0
Employment	0.7	0.1	1.6	-0.4	1.4	1.0
Unemployment rate (%)	5.4	5.4	5.6	6.1	5.6	5.6
Retail sales	3.9	4.4	1.6	4.2	3.7	4.0
Housing starts (units)	7,465	6,220	5,501	5,319	7,600	6,300
Consumer price index	2.3	1.8	1.2	1.3	2.0	2.3

Paul Ferley
Assistant Chief Economist

Housing setting the tone

Ontario’s economy came flying out of the gate in the opening months of 2017. Clearly, Ontarians have been in the mood to spend on goods and services but it’s their love affair with buying homes that’s added some extra oomph to economic activity in the province. This affection in fact reached a fever pitch this year at a time when too few sellers supplied markets in Southern Ontario. Ensuing skyrocketing prices raised serious concerns about the future stability of Ontario’s housing market. We expect that the provincial government’s policy response to those risks—the Fair Housing Plan announced in April—will help cool the housing market during the remainder of this year. Our base case scenario has this cooling keeping economic growth on an even keel in the province in 2017. We project growth to remain unchanged at 2.7% in this year before decelerating to 2.0% in 2018.

Consumers and governments in high gear

Statistics Canada’s first estimate of provincial real GDP for 2016 confirmed that the Ontario economy posted the second-strongest growth rate among the provinces last year for the second-straight year. And, 2017 is shaping up to be another solid year for Ontario. Households are still right there in the mix, continuing to boost their spending at retail stores and, especially, motor vehicle dealerships so far this year. Solid gains in the job market in the past 12 months—most of which were full-time positions in the private sector—no doubt have given a boost to consumer confidence. The recent drop in Ontario’s unemployment rate below the 6% mark for the first time since May 2001 also has been a confidence builder, while an immigration wave has brought in more consumers into the province. Governments have stepped up their capital spending programmes by more than 10%, which is leading to an infrastructure construction boom across the province.

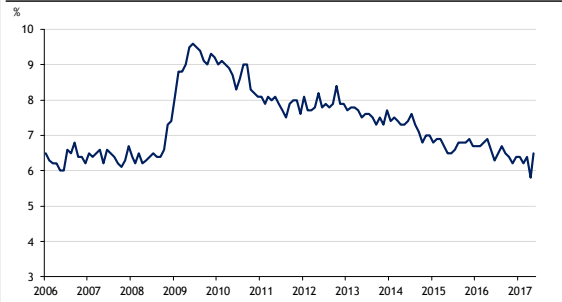
Housing market reached the boiling point...

And then there’s housing activity climbing to record heights. We’ve been surprised by the market’s utter dismissal of last October’s tightening of mortgage qualifying criteria and the significant erosion of affordability in large parts of the province. While the housing frenzy pumped fuel into the provincial economy—including from elevated levels of housing construction—runaway prices in the majority of southern Ontario markets clearly signaled that the provincial housing sector was on a potentially destabilizing path.

...however, the latest government policy intervention is cooling things down

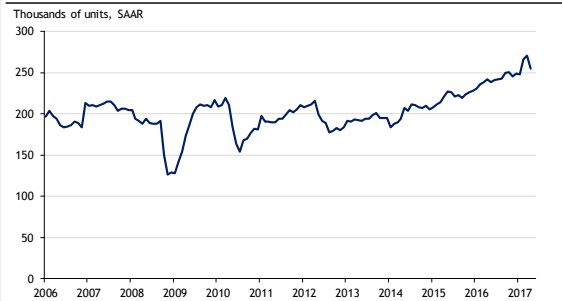
We expect the tentative signs of cooling in the housing market since the announcement of Ontario’s housing plan to be sustained—at least, for a certain period of time. The suite of measures that include a foreign buyer tax, an expansion of rent control and actions to speed up new housing supply will drive some speculators out of the market. Our view is that this cooling will be orderly, and housing risks will diminish as market expectations transition from over-exuberance to rationality. The flip side of any moderation in housing activity, however, is that it will temper a sector of Ontario’s economy that has grown significantly in share over the past decades. We expect some restraining effect on economic growth to materialize in 2017, although we see more of it occurring in 2018 when we project housing starts to drop by almost 12%.

Ontario: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Ontario: Home resales



Source: CREA, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	1.5	2.7	2.5	2.7	2.7	2.0
Nominal GDP	2.2	4.7	4.9	4.5	4.8	3.8
Employment	1.8	0.8	0.7	1.1	1.4	0.9
Unemployment rate (%)	7.6	7.3	6.8	6.5	6.1	5.8
Retail sales	2.8	5.8	5.5	7.1	6.4	4.6
Housing starts (units)	61,085	59,134	70,156	74,952	86,700	76,500
Consumer price index	1.1	2.3	1.2	1.8	2.1	2.2

Robert Hogue
Senior Economist

Quebec

Better times are back

We've been getting better vibes from Quebec's economy lately. The pace of expansion is the strongest in five years. Job prospects are the best in a generation for many in the province. The housing sector is making a comeback. And the fiscal shape of the provincial government has improved considerably. We see little to stop the good vibrations in 2017. Households and governments still have fire power left, and exports of Quebec goods and services have room to expand. We project steady growth at a rate of 1.9% this year, unchanged from 2016. Too bad that business investment is still missing in action because Quebec's growth potentially could be even stronger. Our outlook for 2018 is somewhat less bullish but still quite positive with the economy forecasted to grow by 1.6%.

We have liftoff

A burst of activity in the services sector generated more lift to Quebec's economy than we anticipated last year. Growth was particularly robust over the second half in industries such as retail trade, finance, real estate, health care, and accommodation and food services. It was not a coincidence that such strength occurred at the same time that job creation took off and the unemployment rate plummeted to a multi-decade low in Quebec. Improved job prospects clearly boosted consumer confidence, which benefited household spending and the housing sector.

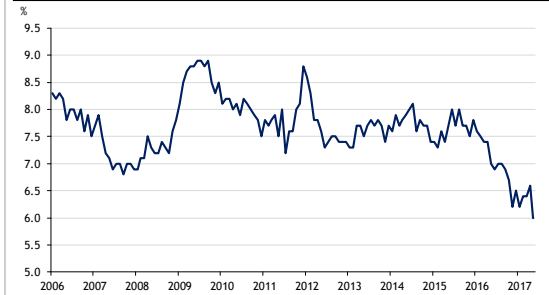
Good start to 2017...

We see signs that solid momentum not only carried into 2017 but likely accelerated in the first quarter. Most of the sectors that did well last year are off to a pretty strong start. Quebec's labour market took a breather recently but last year's strong employment gains have been sustained and the jobless rate remains near historical lows. This is still positive for consumers. Housing market activity is running ahead of last year's pace—the strongest since 2010. Housing construction continues to ramp up with starts exceeding year-ago levels by more than 16%.

...with plenty of fuel left in the tank

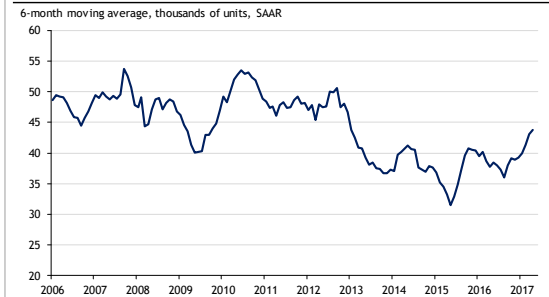
We don't expect the recent acceleration in growth to be fully sustained over the remainder of this year. This is in large part because we see consumer-related activity and housing construction settling down a bit as current high levels make it more difficult to add further to earlier gains. Nonetheless, we believe that there is still plenty of fuel left in the tank to allow the Quebec economy to match last year's growth rate. Some of that fuel will be provided by governments. The elimination of its deficit has enabled the Quebec government to gradually roll back some of its spending restraint measures and ease the tax burden somewhat. Also, governments at all levels are in the midst of a capital investment spree in the province, which will generate substantial construction activity this year. External demand will provide some added fuel to the economy as well. A healthier US economy and a competitively-valued Canadian dollar will create export growth opportunities south of the border. Canada's soon-to-be-implemented free trade deal with Europe will open a new frontier for exporters later this year. And, a vigorous Ontario economy and our projected recovery in oil-producing provinces present positive prospects for interprovincial exports. Our main concern with trade has to do with mounting protectionist sentiment in the United States. These pose a definite downside risk to future export growth.

Quebec: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Quebec: Housing starts



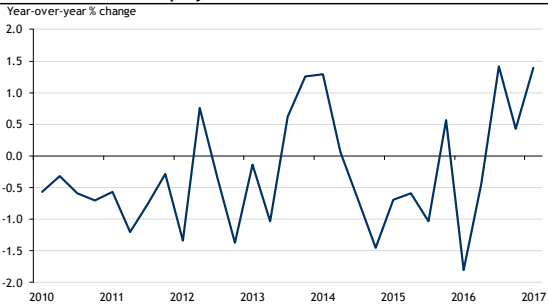
Source: CMHC, RBC Economics Research

Quebec forecast at a glance

	% change unless otherwise indicated					
	2013	2014	2015	2016F	2017F	2018F
Real GDP	1.4	1.3	1.2	1.9	1.9	1.6
Nominal GDP	3.0	1.9	2.6	3.1	3.8	3.3
Employment	1.4	0.0	0.9	0.9	1.7	0.8
Unemployment rate (%)	7.6	7.7	7.6	7.1	6.4	6.2
Retail sales	2.9	2.4	1.8	6.2	4.7	4.1
Housing starts (units)	37,758	38,810	37,926	38,935	41,700	34,300
Consumer price index	0.8	1.4	1.1	0.7	1.7	2.3

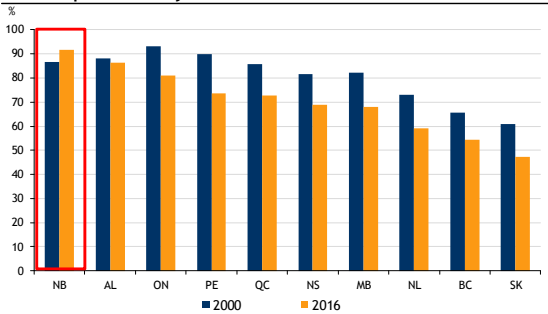
Robert Hogue
Senior Economist

New Brunswick: Employment



Source: Statistics Canada, RBC Economics Research

U.S.: Export Share by Province



Source: Statistics Canada, RBC Economics Research

Economic growth to remain modest and steady

A run of encouraging data has caused us to lift our forecast for New Brunswick’s economy in 2017. Preliminary data showed stronger than expected economic growth in 2016 as a number of consumer service industries benefitted from strong wage growth and the construction industry picked up. This year, we expect higher government capital spending and a strong performance from the natural resources sector to boost jobs and sustain another year of above average growth in the province. We project New Brunswick’s economy to grow by 1.1% in 2017, which would be just slightly slower than the rate of 1.3% estimated for 2016. Our outlook for 2018 is marked by some of New Brunswick’s longer term challenges returning to the fore and causing growth to slip to 0.8%. These challenges include weak underlying demographic factors.

Labour markets strengthening

The rebound in New Brunswick’s labour market, first observed midway through last year, shows every sign of continuing in 2017. After several dreary years, job creation is pointing up this year and the ranks of the unemployed are thinning. The unemployment rate is moving steadily downwards and is on track for 9.0% in 2017, its lowest annual level since 2007. As steady economic growth sustains labour market tightening, we expect wage growth to stay elevated. Total employee compensation rose nearly 4% in 2016, the fastest pace east of Ontario, providing a tailwind for the province’s retail sales and service sector. The near term auspices for the labour market are good, yet over the longer-term the outlook is uncertain. In 2016, New Brunswick saw a temporary reversal of persistent trends in outmigration as Syrian refugees boosted immigration totals and outmigration slowed. There’s growing evidence, however, that those trends were temporary and the rapid decline of the working-age population has resumed. Even as labour markets tighten, a decline in the working-age population reduces the rate of potential economic growth and shrinks the tax base exacerbating fiscal challenges.

Hewing wood and drawing water

New Brunswick’s natural resources sector faces hurdles in the coming years, but in our view the sector’s outlook remains bright overall. New Brunswick’s lumber industry has been spared the brunt of the countervailing duties imposed by the U.S. on Canada’s softwood lumber industry. This will help New Brunswick take advantage of strong U.S. housing activity and continue the expansion seen in recent years. The mining and fishery sectors also are poised to be growth leaders this year. Mining output will be supported by the ramp up of the Caribou mine near Bathurst which has seen output of zinc, lead and silver jump year to date. A positive outlook for mining and forestry should help reverse the industry’s steep 13% job losses recorded so far in 2017. High prices for fish products should support jobs and incomes in that industry. However, a measure of uncertainty exists for all export-oriented industries given the province’s high exposure to the U.S. market in the face of rising protectionist sentiments. Over 92% of New Brunswick’s exports are destined for the United States, the highest share of any province, and uniquely among the provinces, that share has increased since 2000.

New Brunswick forecast at a glance

% change unless otherwise indicated						
	2013	2014	2015	2016F	2017F	2018F
Real GDP	-0.3	-0.1	2.3	1.4	1.1	0.8
Nominal GDP	0.3	1.0	2.9	2.6	2.7	2.6
Employment	0.4	-0.2	-0.6	-0.1	0.3	0.1
Unemployment rate (%)	10.3	10.0	9.8	9.6	8.8	8.7
Retail sales	0.6	3.6	2.1	1.8	2.9	2.6
Housing starts (units)	2,843	2,276	1,995	1,838	2,000	2,000
Consumer price index	0.8	1.5	0.5	2.2	2.6	2.4

Gerard Walsh
Economist

Economic growth steadily ebbing away

Preliminary economic growth data for Nova Scotia revealed the third straight year of modest growth in the province – and we expect more of the same this year. The recent re-election of a provincial government committed to targeted spending increases coupled with a steady run of positive employment data signals that 2017 should be another steady year for Nova Scotia’s economy. Beyond that horizon however, lacklustre demographic factors and the end of major projects will cause growth to slow. After growing by 0.9% in 2016, we forecast that Nova Scotia’s economy will expand by 0.8% in 2017 and 0.6% in 2018.

A mandate for targeted new spending and balanced budgets

In May, Nova Scotia’s Liberal government secured another majority government on a platform of modest economic initiatives and balanced budgets. The government is promising to introduce a cap-and-trade system, reduce taxes, keep the budget balanced and introduce new spending to stoke economic growth. Concrete details await an updated budget, but higher government spending and a commitment to hiring additional educational and health care workers will support the economy. A key issue in the election was health care, made more acute by the rapid ageing of the population. Currently over 30 Nova Scotians turn 65 every day and that number is set to rise as the bulk of the baby boomers retire in the next decade. On the plus side, it will likely mean more employment in the health care sector where total employment has been steady for the past year.

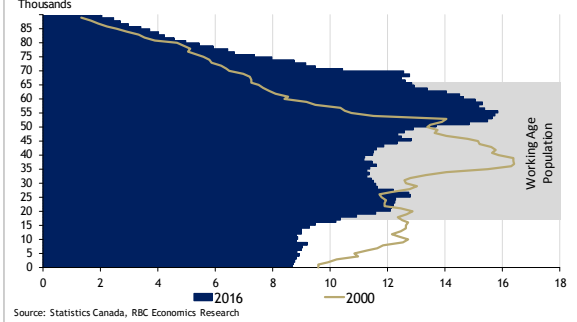
Demographic factors won’t help much

A surge in migration through 2016 slowed the decline in Nova Scotia’s working-age population. However, the number of immigrants has fallen off recently and the decline of the working-age population has resumed. Our forecast calls for last year’s employment loss to reverse in 2017, although the projected gain is poised to be modest. With the pool of potential labour shrinking, we expect that this modest employment growth will moderate in 2018. This will also put downward pressure on retail sales growth, and especially that of motor vehicle sales, which was quite vigorous last year. A slow pace of job creation and its concentration in part-time jobs will keep employee compensation contained. Partially as a result of wage restraint in the public sector, overall labour compensation in the province grew by 1.8% in 2016, its slowest pace on record.

Limited scope for construction and manufacturing to contribute more

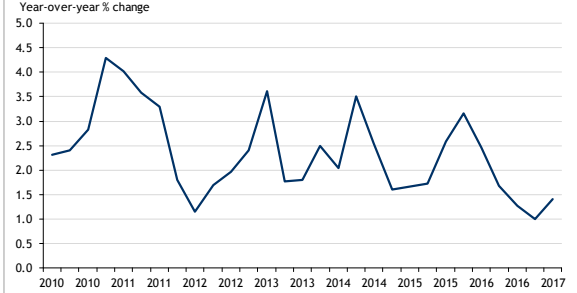
We see little scope for a number of sectors in the province to up their game and reverse the slowing growth trajectory of the economy. The manufacturing sector, for instance, is expected to operate at a high level with only limited capacity to expand further. The shipbuilding industry in particular is operating near capacity with two ships under construction as part of the contract with the Canadian Navy. Nova Scotia’s large construction sector is facing lower activity as work wraps up on major projects including the Maritime Link and the Nova Centre. While residential investment has had a strong hand off from last year, our outlook for housing and home building sees limited growth at best, in part reflecting our expectation of slowing population growth.

Nova Scotia: Population by age



Source: Statistics Canada, RBC Economics Research

Nova Scotia: Employee Compensation Growth



Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

% change unless otherwise indicated						
	2013	2014	2015	2016F	2017F	2018F
Real GDP	-0.1	0.8	1.0	0.9	0.8	0.7
Nominal GDP	2.1	1.7	2.4	2.1	2.7	2.8
Employment	-1.1	-1.1	0.1	-0.4	0.6	0.1
Unemployment rate (%)	9.1	8.9	8.6	8.3	8.2	8.2
Retail sales	3.2	2.7	0.2	4.6	3.1	2.5
Housing starts (units)	3,919	3,056	3,825	3,767	3,900	3,100
Consumer price index	1.2	1.7	0.4	1.2	1.6	2.4

Gerard Walsh
Economist

Riding the immigration wave

PEI’s economic performance easily stands out in Atlantic Canada. It beat our 2016 growth forecast of 1.1% handily with Statistics Canada’s preliminary estimate implying a rate of 2.4%. We expect the provincial economy to expand further by 1.5% in 2017, which would be the strongest pace in the region for a second-straight year. A wave of immigration generated much of the thrust in the economy of late. A near-record 2,300 new immigrants came to PEI last year. The benefits of this wave have spread across many sectors, including housing construction and household spending, creating broadly based positive spinoffs. We expect those benefits to taper off somewhat over the remainder of this year, however, because we anticipate the immigration wave to crest. The prospect of slower business investment in the province also points to economic momentum moderating this year. Our outlook for 2018 maintains PEI in the region’s lead in terms of growth, although we expect the pace to ease further to 1.2%.

Population spurt drives up demand for homes and consumer goods

The many newcomers settling in PEI have rejuvenated the population trend in the province, which was stagnant as recently as 2013. The turnaround has been quite striking in fact: population growth recently raced at one of its faster rates since the early 1970s. This has been a boon for home builders who have started more than twice as many new homes so far this year compared to a year ago. Retailers aren’t complaining either. Their sales climbed by almost 9% this year with strong gains recorded by merchants of furniture, appliances and building materials. Business is also brisk for motor vehicle dealers though sales have been on a record streak in the past four years.

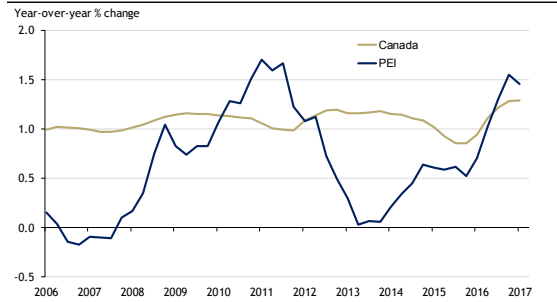
Non-residential construction is off to a decent start but it’s unlikely to last

Builders have been quite busy working on non-residential structures as well in the opening months of 2017. Spending on commercial structures, in particular, was significantly above year-ago levels. Still, prospects for total business investment in the province are not very promising. Statistics Canada’s survey of capital spending intentions released earlier this year showed that businesses plan to slash their capital expenditures by 20% in 2017. The winding down of construction on two multi-million dollar power cables linking PEI’s power grid to New Brunswick accounts for much of this decline.

Provincial government projects a balanced budget

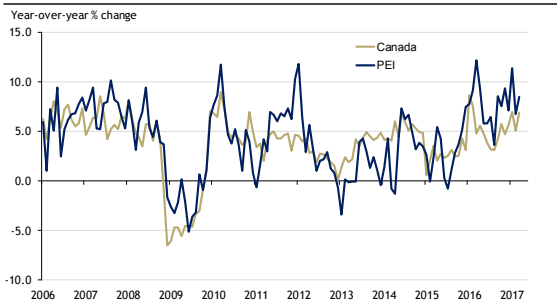
The 2017 PEI budget presented in April balances the books for the first time in 10 years. Revenues are projected to grow solidly this year thanks to steady economic growth and tax increases announced in last year’s budget. Much of that revenue increase is being allocated to a host of new spending measures in health care, education and family services, transportation and infrastructure.

PEI: Population



Source: Statistics Canada, RBC Economics Research

PEI: Retail sales



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.0	1.5	1.3	2.4	1.5	1.2
Nominal GDP	3.2	3.5	3.9	3.7	3.1	3.2
Employment	1.4	-0.1	-1.2	-2.2	2.8	0.5
Unemployment rate (%)	11.5	10.6	10.5	10.8	10.3	10.3
Retail sales	1.0	3.6	2.8	7.7	5.5	2.4
Housing starts (units)	636	511	558	556	830	800
Consumer price index	2.0	1.6	-0.6	1.2	2.0	2.4

Robert Hogue
Senior Economist



Newfoundland & Labrador

Declining activity to return this year and next

The preliminary reading for 2016 shows that Newfoundland and Labrador’s economy grew by 1.9% on the back of rising oil production. However, the headline figure conceals deep economic contraction in most sectors setting the stage for two more years of recession. As major projects wrap up and investment spending plunges in an economy beset by fiscal austerity, we expect that the economy will contract by 2.2% in 2017. In 2018, we see little reprieve from the challenges facing most sectors of the economy, but an expected upswing of oil production will limit overall economic contraction to -0.4% thanks to a full year of production from the Hebron oil platform.

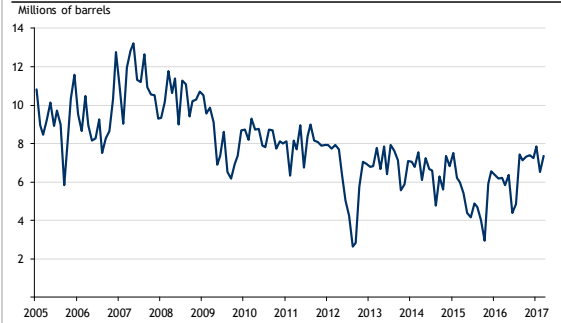
Good news for the oil and gas industry

Rising oil output prevented economic contraction in 2016, but we aren’t expecting a repeat performance this year. Overall oil output is likely to decline in 2017 despite the ramping up of Hebron late this year. Construction of the Hebron offshore oil platform is now complete and the facility will be towed out to its location this summer to begin drilling in the Jeanne d’Arc Basin. At full production, the facility will give the provincial oil industry a large shot in the arm increasing overall production by over 50%. Over a longer horizon, the recent announcement that the West White Rose expansion will go forward highlights the long-term growth potential for the industry. The \$2.2 billion project is expected to produce roughly half the output of Hebron and will feature a large platform to be built in Argentina. ‘First oil’ from West White Rose is scheduled for 2022 and until that time its construction will sustain hundreds of jobs throughout the province. That said, until work gets underway in earnest, Hebron’s completion means that investment spending in the oil and gas sector will drop significantly.

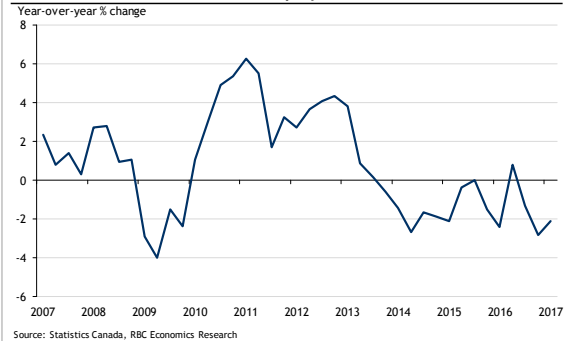
Fiscal challenges persist

In its 2017 budget, the government of Newfoundland and Labrador eschewed further cuts and tax hikes preferring to leave the province on a gradual path to reduced deficits. The province is projecting a deficit of nearly \$800 million in 2017. While this is lower than the \$1.1 billion in 2016-17, and a far cry from the \$2.2bn in 2015-16, it remains the second largest deficit in Canada as a share of the economy and is adding to a rapidly growing debt burden. Despite progress reducing deficits, the government expects that further cuts or new revenues will be needed to achieve their target path to a balanced budget in 2022-23. Since the early 2000s, Newfoundland and Labrador has put oil revenues to work expanding the size of government and now it is wrestling to bring that size down. One measure of government size, the number of public servants per capita, has declined significantly since the beginning of 2016. Efforts to close the deficit and reduce the size of government unfortunately do little to alleviate the province’s short-term economic challenges. Employment contracted by 2.6% in the first quarter of 2017 relative to the same period a year earlier, putting the province on track for its fourth straight year of job losses.

Newfoundland and Labrador: Oil production



Newfoundland and Labrador: Employment



Newfoundland forecast at a glance

% change unless otherwise indicated						
	2013	2014	2015	2016F	2017F	2018F
Real GDP	5.2	-1.0	-2.0	1.9	-2.2	-0.4
Nominal GDP	7.6	-1.3	-11.5	2.1	2.4	3.4
Employment	0.8	-1.7	-1.0	-1.5	-3.1	-3.1
Unemployment rate (%)	11.6	11.9	12.8	13.4	14.7	16.2
Retail sales	5.1	3.6	0.6	0.2	1.2	-1.5
Housing starts (units)	2,862	2,119	1,697	1,398	1,200	1,300
Consumer price index	1.7	1.9	0.4	2.7	3.1	2.2

Gerard Walsh
Economist

Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Nominal GDP				Employment				Unemployment rate %				Housing starts Thousands				Retail sales				CPI			
	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F
N. & L.	-2.0	1.9	-2.2	-0.4	-11.5	2.1	2.4	3.4	-1.0	-1.5	-3.1	-3.1	12.8	13.4	14.7	16.2	1.7	1.4	1.2	1.3	0.6	0.2	1.2	-1.5	0.4	2.7	3.1	2.2
P.E.I.	1.3	2.4	1.5	1.2	3.9	3.7	3.1	3.2	-1.2	-2.2	2.8	0.5	10.5	10.8	10.3	10.3	0.6	0.6	0.8	0.8	2.8	7.7	5.5	2.4	-0.6	1.2	2.0	2.4
N.S.	1.0	0.9	0.8	0.7	2.4	2.1	2.7	2.8	0.1	-0.4	0.6	0.1	8.6	8.3	8.2	8.2	3.8	3.8	3.9	3.1	0.2	4.6	3.1	2.5	0.4	1.2	1.6	2.4
N.B.	2.3	1.4	1.1	0.8	2.9	2.6	2.7	2.6	-0.6	-0.1	0.3	0.1	9.8	9.6	8.8	8.7	2.0	1.8	2.0	2.0	2.1	1.8	2.9	2.6	0.5	2.2	2.6	2.4
QUE.	1.2	1.9	1.9	1.6	2.6	3.1	3.8	3.3	0.9	0.9	1.7	0.8	7.6	7.1	6.4	6.2	37.9	38.9	41.7	34.3	1.8	6.2	4.7	4.1	1.1	0.7	1.7	2.3
ONT.	2.5	2.7	2.7	2.0	4.9	4.5	4.8	3.8	0.7	1.1	1.4	0.9	6.8	6.5	6.1	5.8	70.2	75.0	86.7	76.5	5.5	7.1	6.4	4.6	1.2	1.8	2.1	2.2
MAN.	2.2	2.3	1.9	2.2	3.1	2.9	4.0	4.0	1.6	-0.4	1.4	1.0	5.6	6.1	5.6	5.6	5.5	5.3	7.6	6.3	1.6	4.2	3.7	4.0	1.2	1.3	2.0	2.3
SASK.	-1.3	-1.0	1.8	2.3	-5.7	-4.3	6.8	5.4	0.5	-0.9	0.4	0.8	5.0	6.3	6.2	5.8	5.1	4.8	4.6	4.8	-2.9	2.2	4.9	3.8	1.6	1.1	1.8	2.8
ALTA.	-3.6	-3.6	2.9	3.4	-12.5	-5.7	10.5	7.5	1.2	-1.6	1.2	1.2	6.0	8.1	7.9	6.9	37.3	24.5	26.4	27.0	-4.0	-1.2	5.0	3.8	1.2	1.1	2.1	2.0
B.C.	3.3	3.6	3.0	1.8	3.8	5.1	5.5	3.7	1.2	3.2	3.2	0.8	6.2	6.0	5.7	5.9	31.4	41.8	33.0	28.0	6.9	7.4	5.8	4.6	1.1	1.9	2.0	2.0
CANADA	0.9	1.5	2.6	2.1	0.2	2.1	5.8	4.4	0.8	0.7	1.5	0.8	6.9	7.0	6.6	6.3	196	198	208	184	2.6	5.1	5.3	4.1	1.1	1.4	2.0	2.2

Key provincial comparisons

2015 unless otherwise indicated

	N. & L.	P.E.I.	N.S.	N.B.	QUE	ONT	MAN	SASK	ALTA	B.C.
Population (000s, 2016)	530	149	950	757	8,326	13,983	1,318	1,151	4,253	4,752
Gross domestic product (\$ billions)	30.1	6.2	40.2	33.1	381.0	763.3	65.9	79.4	326.4	250.0
Real GDP (\$2007 billions)	27.3	5.2	36.2	28.9	337.9	665.0	59.4	62.9	310.6	231.3
Share of provincial GDP of Canadian GDP (%)	1.5	0.3	2.0	1.7	19.2	38.4	3.3	4.0	16.4	12.6
Real GDP growth (CAGR, 2010-15, %)	0.1	1.6	0.3	0.2	1.4	2.1	2.4	2.8	3.4	2.9
Real GDP per capita (\$ 2007)	51,595	35,411	38,339	38,368	40,912	48,201	45,830	55,528	74,322	49,286
Real GDP growth rate per capita (CAGR, 2010-15, %)	-0.2	0.9	0.2	0.2	0.5	1.1	1.2	1.3	1.1	1.9
Personal disposable income per capita (\$)	32,668	27,280	28,002	28,222	26,857	30,980	28,400	33,142	40,704	33,011
Employment growth (CAGR, 2011-16, %)	0.1	-0.1	-0.3	-0.2	0.8	1.0	0.7	1.2	1.5	1.3
Employment rate (May, 2017, %)	50.6	60.6	56.9	56.4	60.7	60.8	63.5	65.1	66.9	62.1
Discomfort index (inflation + unemp. rate, Apr. 2017)	17.6	11.9	9.1	11.4	7.4	7.7	7.0	7.6	9.6	7.6
Manufacturing industry output (% of GDP)	4.4	10.4	8.1	11.0	13.7	11.9	10.1	6.8	6.7	7.2
Personal expenditures on goods & services (% of GDP)	53.9	68.0	72.0	66.6	59.1	56.7	57.5	45.4	45.3	64.4
International exports (% of GDP)	34.1	20.9	18.4	48.4	28.4	35.8	25.7	39.3	32.3	22.1

Tables

British Columbia

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	194,987	200,324	206,360	211,427	216,716	223,852	231,299	239,510	246,791	251,233
	% change	-2.4	2.7	3.0	2.5	2.5	3.3	3.3	3.6	3.0	1.8
Nominal GDP	\$ millions	196,250	205,117	216,786	221,414	228,973	240,900	249,981	262,794	277,282	287,636
	% change	-4.0	4.5	5.7	2.1	3.4	5.2	3.8	5.1	5.5	3.7
Employment	thousands	2,192	2,223	2,228	2,262	2,266	2,278	2,306	2,380	2,455	2,474
	% change	-2.2	1.4	0.2	1.6	0.1	0.6	1.2	3.2	3.2	0.8
Unemployment rate	%	7.7	7.6	7.5	6.8	6.6	6.1	6.2	6.0	5.7	5.9
Retail sales	\$ millions	55,288	58,251	60,090	61,343	63,053	67,001	71,614	76,885	81,325	85,071
	% change	-4.3	5.4	3.2	2.1	2.8	6.3	6.9	7.4	5.8	4.6
Housing starts	units	16,077	26,479	26,400	27,465	27,054	28,356	31,446	41,843	33,000	28,000
	% change	-53.2	64.7	-0.3	4.0	-1.5	4.8	10.9	33.1	-21.1	-15.2
Consumer price index	2002=100	112.3	113.8	116.5	117.8	117.7	118.9	120.2	122.4	124.9	127.4
	% change	0.0	1.4	2.3	1.1	-0.1	1.0	1.1	1.9	2.0	2.0

Alberta

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	250,510	262,720	279,655	290,544	306,998	322,237	310,640	299,333	308,133	318,610
	% change	-5.5	4.9	6.4	3.9	5.7	5.0	-3.6	-3.6	2.9	3.4
Nominal GDP	\$ millions	245,690	270,049	299,521	312,485	342,415	372,880	326,433	307,678	339,844	365,455
	% change	-17.0	9.9	10.9	4.3	9.6	8.9	-12.5	-5.7	10.5	7.5
Employment	thousands	2,030	2,024	2,100	2,172	2,226	2,275	2,301	2,264	2,290	2,318
	% change	-1.2	-0.3	3.7	3.5	2.5	2.2	1.2	-1.6	1.2	1.2
Unemployment rate	%	6.5	6.6	5.4	4.6	4.6	4.7	6.0	8.1	7.9	6.9
Retail sales	\$ millions	56,489	59,849	63,945	68,475	73,363	79,147	76,019	75,110	78,890	81,879
	% change	-8.3	5.9	6.8	7.1	7.1	7.9	-4.0	-1.2	5.0	3.8
Housing starts	units	20,298	27,088	25,704	33,396	36,011	40,590	37,282	24,533	26,400	27,000
	% change	-30.4	33.5	-5.1	29.9	7.8	12.7	-8.1	-34.2	7.6	2.3
Consumer price index	2002=100	121.5	122.7	125.7	127.1	128.9	132.2	133.7	135.2	138.0	140.8
	% change	-0.1	1.0	2.4	1.1	1.4	2.6	1.2	1.1	2.1	2.0

Saskatchewan

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	52,195	54,647	57,545	58,514	62,191	63,680	62,872	62,243	63,333	64,789
	% change	-5.3	4.7	5.3	1.7	6.3	2.4	-1.3	-1.0	1.8	2.3
Nominal GDP	\$ millions	60,080	63,368	74,821	77,957	83,159	84,201	79,415	76,019	81,217	85,577
	% change	-11.1	5.5	18.1	4.2	6.7	1.3	-5.7	-4.3	6.8	5.4
Employment	thousands	526	531	536	548	565	571	574	568	571	576
	% change	1.6	1.0	0.9	2.4	3.1	1.0	0.5	-0.9	0.4	0.8
Unemployment rate	%	4.9	5.3	4.9	4.7	4.1	3.8	5.0	6.3	6.2	5.8
Retail sales	\$ millions	14,605	15,103	16,199	17,422	18,362	19,274	18,719	19,135	20,079	20,838
	% change	-0.5	3.4	7.3	7.5	5.4	5.0	-2.9	2.2	4.9	3.8
Housing starts	units	3,866	5,907	7,031	9,968	8,290	8,257	5,149	4,775	4,600	4,800
	% change	-43.4	52.8	19.0	41.8	-16.8	-0.4	-37.6	-7.3	-3.7	4.3
Consumer price index	2002=100	117.1	118.7	122.0	123.9	125.7	128.7	130.8	132.2	134.5	138.2
	% change	1.1	1.3	2.8	1.6	1.4	2.4	1.6	1.1	1.8	2.8

Tables

Manitoba

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	51,464	52,736	54,045	55,674	57,248	58,117	59,395	60,731	61,885	63,247
	% change	-0.2	2.5	2.5	3.0	2.8	1.5	2.2	2.3	1.9	2.2
Nominal GDP	\$ millions	50,804	53,308	56,197	59,781	62,314	63,855	65,862	67,755	70,492	73,340
	% change	-2.6	4.9	5.4	6.4	4.2	2.5	3.1	2.9	4.0	4.0
Employment	thousands	601	609	612	622	626	626	636	634	642	649
	% change	-0.2	1.4	0.4	1.6	0.7	0.1	1.6	-0.4	1.4	1.0
Unemployment rate	%	5.2	5.4	5.5	5.3	5.4	5.4	5.6	6.1	5.6	5.6
Retail sales	\$ millions	14,920	15,770	16,443	16,657	17,314	18,071	18,368	19,147	19,861	20,655
	% change	-0.4	5.7	4.3	1.3	3.9	4.4	1.6	4.2	3.7	4.0
Housing starts	units	4,174	5,888	6,083	7,242	7,465	6,220	5,501	5,319	7,600	6,300
	% change	-24.6	41.1	3.3	19.1	3.1	-16.7	-11.6	-3.3	42.9	-17.1
Consumer price index	2002=100	114.1	115.0	118.4	120.3	123.0	125.3	126.8	128.4	131.0	134.0
	% change	0.6	0.8	2.9	1.6	2.3	1.8	1.2	1.3	2.0	2.3

Ontario

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	582,904	600,131	614,606	622,717	631,871	648,890	665,034	682,657	701,362	715,670
	% change	-3.1	3.0	2.4	1.3	1.5	2.7	2.5	2.7	2.7	2.0
Nominal GDP	\$ millions	597,882	630,989	659,743	680,084	695,349	727,962	763,276	797,797	836,050	867,608
	% change	-1.7	5.5	4.6	3.1	2.2	4.7	4.9	4.5	4.8	3.8
Employment	thousands	6,433	6,538	6,658	6,703	6,823	6,878	6,923	7,000	7,095	7,158
	% change	-2.7	1.6	1.8	0.7	1.8	0.8	0.7	1.1	1.4	0.9
Unemployment rate	%	9.1	8.7	7.9	7.9	7.6	7.3	6.8	6.5	6.1	5.8
Retail sales	\$ millions	148,109	156,276	161,859	164,805	169,341	179,100	188,893	202,235	215,080	224,925
	% change	-2.4	5.5	3.6	1.8	2.8	5.8	5.5	7.1	6.4	4.6
Housing starts	units	50,370	60,433	67,821	76,742	61,085	59,134	70,156	74,952	86,700	76,500
	% change	-32.9	20.0	12.2	13.2	-20.4	-3.2	18.6	6.8	15.7	-11.8
Consumer price index	2002=100	113.7	116.5	120.1	121.8	123.0	125.9	127.4	129.7	132.4	135.3
	% change	0.4	2.4	3.1	1.4	1.1	2.3	1.2	1.8	2.1	2.2

Quebec

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	309,359	315,708	321,647	324,993	329,433	333,830	337,911	344,331	351,011	356,628
	% change	-0.8	2.1	1.9	1.0	1.4	1.3	1.2	1.9	1.9	1.6
Nominal GDP	\$ millions	314,541	328,138	344,735	354,040	364,531	371,311	380,972	392,718	407,543	421,103
	% change	0.1	4.3	5.1	2.7	3.0	1.9	2.6	3.1	3.8	3.3
Employment	thousands	3,854	3,938	3,976	4,006	4,061	4,060	4,097	4,133	4,204	4,236
	% change	-0.7	2.2	1.0	0.8	1.4	0.0	0.9	0.9	1.7	0.8
Unemployment rate	%	8.6	8.0	7.9	7.7	7.6	7.7	7.6	7.1	6.4	6.2
Retail sales	\$ millions	93,759	99,590	102,556	103,949	107,002	109,622	111,556	118,487	123,999	129,140
	% change	-1.1	6.2	3.0	1.4	2.9	2.4	1.8	6.2	4.7	4.1
Housing starts	units	43,403	51,363	48,387	47,367	37,758	38,810	37,926	38,935	41,700	34,300
	% change	-9.4	18.3	-5.8	-2.1	-20.3	2.8	-2.3	2.7	7.1	-17.7
Consumer price index	2002=100	113.4	114.8	118.3	120.8	121.7	123.4	124.7	125.6	127.7	130.6
	% change	0.6	1.3	3.0	2.1	0.8	1.4	1.1	0.7	1.7	2.3

Tables

New Brunswick

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	28,080	28,643	28,702	28,417	28,332	28,304	28,941	29,346	29,669	29,906
	% change	-1.5	2.0	0.2	-1.0	-0.3	-0.1	2.3	1.4	1.1	0.8
Nominal GDP	\$ millions	28,857	30,213	31,500	31,723	31,809	32,112	33,052	33,915	34,837	35,748
	% change	0.3	4.7	4.3	0.7	0.3	1.0	2.9	2.6	2.7	2.6
Employment	thousands	360	358	356	353	355	354	352	352	353	353
	% change	-0.2	-0.5	-0.7	-0.7	0.4	-0.2	-0.6	-0.1	0.3	0.1
Unemployment rate	%	8.7	9.2	9.5	10.2	10.3	10.0	9.8	9.6	8.8	8.7
Retail sales	\$ millions	10,094	10,595	11,103	11,022	11,090	11,488	11,728	11,944	12,290	12,612
	% change	0.8	5.0	4.8	-0.7	0.6	3.6	2.1	1.8	2.9	2.6
Housing starts	units	3,521	4,101	3,452	3,299	2,843	2,276	1,995	1,838	2,000	2,000
	% change	-17.6	16.5	-15.8	-4.4	-13.8	-19.9	-12.3	-7.9	8.8	0.0
Consumer price index	2002=100	113.5	115.9	120.0	122.0	123.0	124.8	125.4	128.2	131.5	134.7
	% change	0.3	2.1	3.5	1.7	0.8	1.5	0.5	2.2	2.6	2.4

Nova Scotia

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	34,721	35,693	35,884	35,567	35,524	35,812	36,168	36,494	36,785	37,043
	% change	0.3	2.8	0.5	-0.9	-0.1	0.8	1.0	0.9	0.8	0.7
Nominal GDP	\$ millions	34,931	36,849	37,652	37,835	38,614	39,271	40,225	41,068	42,183	43,370
	% change	-1.4	5.5	2.2	0.5	2.1	1.7	2.4	2.1	2.7	2.8
Employment	thousands	450	451	453	458	453	448	448	446	449	449
	% change	-0.5	0.4	0.4	1.0	-1.1	-1.1	0.1	-0.4	0.6	0.1
Unemployment rate	%	9.2	9.6	9.0	9.1	9.1	8.9	8.6	8.3	8.2	8.2
Retail sales	\$ millions	12,105	12,651	13,098	13,239	13,663	14,038	14,063	14,703	15,162	15,541
	% change	0.1	4.5	3.5	1.1	3.2	2.7	0.2	4.6	3.1	2.5
Housing starts	units	3,438	4,309	4,644	4,522	3,919	3,056	3,825	3,767	3,900	3,100
	% change	-13.7	25.3	7.8	-2.6	-13.3	-22.0	25.2	-1.5	3.5	-20.5
Consumer price index	2002=100	115.7	118.2	122.7	125.1	126.6	128.8	129.3	130.9	133.0	136.2
	% change	-0.1	2.2	3.8	1.9	1.2	1.7	0.4	1.2	1.6	2.4

Prince Edward Island

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	4,695	4,800	4,895	4,952	5,050	5,128	5,196	5,321	5,401	5,465
	% change	0.3	2.2	2.0	1.2	2.0	1.5	1.3	2.4	1.5	1.2
Nominal GDP	\$ millions	4,927	5,222	5,424	5,573	5,752	5,955	6,186	6,413	6,613	6,827
	% change	3.6	6.0	3.9	2.7	3.2	3.5	3.9	3.7	3.1	3.2
Employment	thousands	68	70	72	73	74	74	73	72	74	74
	% change	-1.3	2.3	3.1	1.7	1.4	-0.1	-1.2	-2.2	2.8	0.5
Unemployment rate	%	11.9	11.4	11.1	11.1	11.5	10.6	10.5	10.8	10.3	10.3
Retail sales	\$ millions	1,682	1,770	1,866	1,926	1,946	2,016	2,073	2,233	2,356	2,412
	% change	-1.3	5.3	5.4	3.2	1.0	3.6	2.8	7.7	5.5	2.4
Housing starts	units	877	756	940	941	636	511	558	556	830	800
	% change	23.2	-13.8	24.3	0.1	-32.4	-19.7	9.2	-0.4	49.3	-3.6
Consumer price index	2002=100	117.3	119.5	123.0	125.5	128.0	130.1	129.3	130.8	133.4	136.7
	% change	-0.1	1.8	2.9	2.0	2.0	1.6	-0.6	1.2	2.0	2.4

Newfoundland & Labrador

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained \$2007 millions	25,740	27,164	27,946	26,719	28,106	27,838	27,277	27,782	27,170	27,062
	% change	-10.1	5.5	2.9	-4.4	5.2	-1.0	-2.0	1.9	-2.2	-0.4
Nominal GDP	\$ millions	25,001	29,085	33,539	32,032	34,462	34,022	30,100	30,735	31,472	32,537
	% change	-20.8	16.3	15.3	-4.5	7.6	-1.3	-11.5	2.1	2.4	3.4
Employment	thousands	215	223	232	241	243	239	236	233	226	219
	% change	-2.7	3.6	4.1	3.8	0.8	-1.7	-1.0	-1.5	-3.1	-3.1
Unemployment rate	%	15.5	14.7	12.6	12.3	11.6	11.9	12.8	13.4	14.7	16.2
Retail sales	\$ millions	7,121	7,453	7,833	8,187	8,606	8,919	8,972	8,988	9,096	8,959
	% change	1.6	4.7	5.1	4.5	5.1	3.6	0.6	0.2	1.2	-1.5
Housing starts	units	3,057	3,606	3,488	3,885	2,862	2,119	1,697	1,398	1,200	1,300
	% change	-6.3	18.0	-3.3	11.4	-26.3	-26.0	-19.9	-17.6	-14.2	8.3
Consumer price index	2002=100	114.6	117.4	121.4	123.9	126.0	128.4	129.0	132.5	136.6	139.6
	% change	0.3	2.4	3.4	2.1	1.7	1.9	0.4	2.7	3.1	2.2

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.