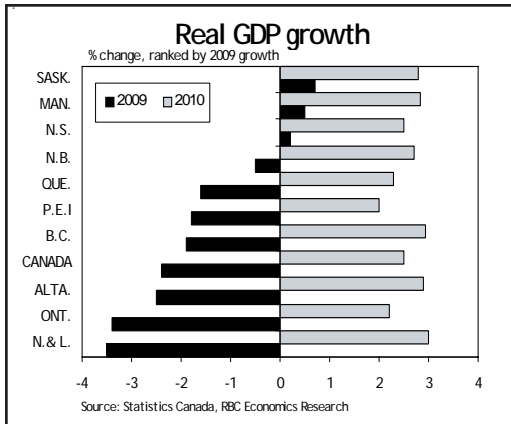
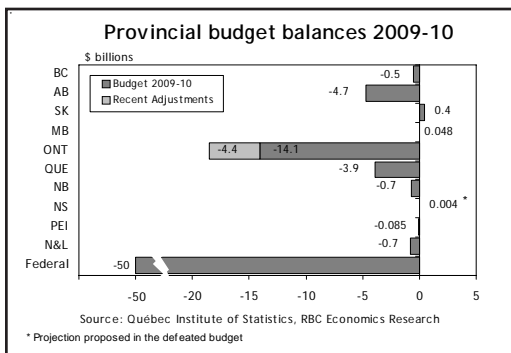


PROVINCIAL OUTLOOK

June 2009



Jurisdiction	Stimulus	
	Spending for FY10 (\$B)	Stimulus as % of GDP
British Columbia	2.4	1.2
Alberta	0.0	0.0
Saskatchewan	1.5	2.3
Manitoba	1.6	3.1
Ontario	12.7	2.2
Quebec	8.1	2.7
New Brunswick	0.66	2.4
Nova Scotia	NA	NA
Prince Edward Island	0.13	2.8
Newfoundland & Labrador	0.98	3.1
Federal	22.7	1.4



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

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

Has the storm passed?

Our updated provincial forecast acknowledges that many provincial economies “took it on the chin” late last year and early this year, resulting in 2009 growth being widely revised down. The severity of the global recession and painfully slow pace of improvement in the financial crisis finally caught up with Canadian households and businesses, which have been clearly rattled by the flood of ensuing bad news — plant closures, bankruptcies, cancellations of investment projects, bailouts of prominent global financial institutions and automakers, and surging unemployment.

However, recent developments have lent support to our view that growth will return by the second half of this year and be maintained through 2010. The latest available data point to a moderating pace of both job losses and declines in real GDP in Canada, seen as evidence that the worst of the recession is likely behind us. Similarly encouraging signs are emerging in the United States, where an expected turnaround in economic conditions later this year will be a key prop helping Canada pull out of recession through stronger demand for Canadian exports and higher commodity prices.

Improved commodity markets are anticipated to reignite capital expenditures by businesses in Canada. This will be supplemented by relatively aggressive public sector spending on infrastructure. The most recent budget season almost universally brought significant measures to stimulate provincial economies, primarily in the form of increased spending on public infrastructures but also, in some cases, tax cuts and other fiscal incentives – Alberta being the lone exception, preferring to hold the line on spending. The magnitude of those measures in the current fiscal year ranges from 1.2% of GDP in British Columbia to 3.1% of GDP in Manitoba and Newfoundland & Labrador — although it is inherently difficult to disentangle precisely stimulus measures from spending that would have occurred otherwise.

Given that construction projects usually take some time to get under way – despite a keen emphasis on “shovel-ready” initiatives – and span many months or years, we expect that the greatest impact will be felt in 2010 in the majority of provinces. The benefit this year will primarily be to attenuate the negative forces weighing on provinces.

The price to pay for this public spending binge is the return of government budget deficits. Collectively, provinces are projecting to run deficits totalling almost \$29 billion this fiscal year, including a recent adjustment in Ontario to account for higher-than-expected financial assistance to troubled automakers. Only Saskatchewan and Manitoba, the two best economic performers, will remain

in the black. Even Alberta is projecting its first budget shortfall in 15 years. While running deficits during times of economic crisis is not a cause for alarm, the challenge will arise once the economy is back on its feet. The stimulus will need to be unwound and budgets balanced, which is rarely an easy task. This means that fiscal policy will turn restrictive over the medium term.

The greater weakness early this year has prompted us to downgrade our provincial real GDP forecasts across the board for 2009. Hit hard is Ontario where motor vehicle manufacturing has crumbled, as plants are being shut down (both temporarily and permanently) in reaction to collapsing auto sales in North America. This has had reverberations across the province's manufacturing and other sectors, and has weighed on confidence.

For Newfoundland & Labrador, we are now allowing for a greater negative impact from lower mineral production and rapidly moderating output at maturing offshore oil fields. We have also raised our estimate of the economic toll coming from the slide in commodity markets since last summer and the accelerated downturn in housing construction in Alberta, British Columbia and Quebec (where troubles in the aerospace industry have also appeared).

Nonetheless, three provinces are still expected to grow this year — Saskatchewan, Manitoba and Nova Scotia — but barely so. These provinces continue to benefit from growth drivers (mainly capital spending) with sufficient force to overwhelm weaker elements. All other provinces are projected to contract.

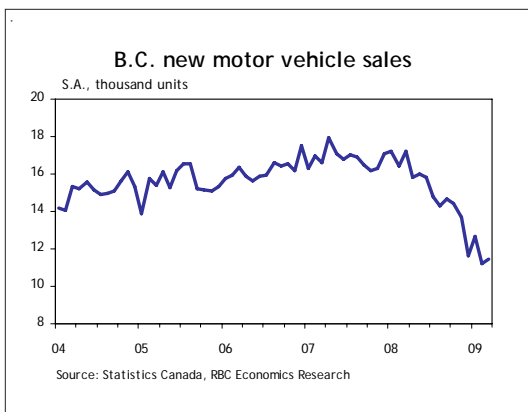
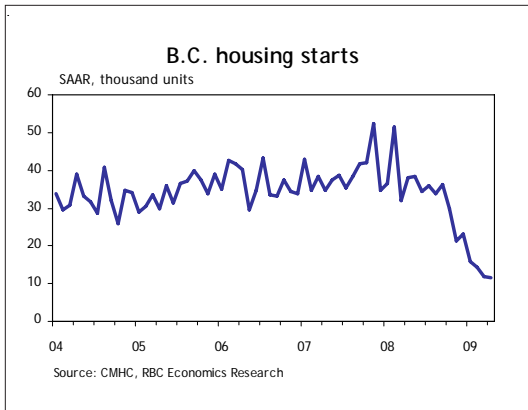
By the time fiscal stimulus is in full swing next year, we anticipate that the U.S. economy will be in recovery mode and commodity markets on a stronger footing, setting the stage for a generalized recovery across the country.

### British Columbia's economy struggling

In the first few months of 2009, British Columbia's economy has shown clear signs of struggle against a recession that is pulling the rug from under the feet of most of its industrial sectors. Since mid-year last year, the weakness has spread well beyond the forest products sector — an early victim and now in full-blown crisis — and into manufacturing, construction, mining and even service industries such as transportation and retail trade. The speed with which conditions have deteriorated has caused overall economic activity to contract slightly last year (by 0.3%) for the first time since 1982, despite respectable momentum through the first half of the year. Given the severity of the slump, we now project real GDP to decline by a further 1.9% in 2009, a bit worse than the 1.5% decline previously forecast.

With little hope of a meaningful rebound in U.S. housing construction any time soon, British Columbia's forest products sector will remain stuck in survival mode, which will continue to weigh on exports, employment and private capital spending. Mining activity will be restrained by coal producers reducing output in the face lower prices after enjoying a stellar year in 2008 (strong demand and record high prices).

While there have been some encouraging signs in the form of a pick-up in existing home resales this spring, the housing sector is still very fragile. Hous-



ing construction was at a nine-year low in March-May (on the basis of housing starts) and is expected to recover only modestly through the remainder of the year thanks in part to improving homeownership affordability. Housing starts are forecast to drop by 57% in 2009 to a total of 14,700 units, the lowest tally since 2000.

B.C. consumers, spooked by significant job losses and surging unemployment since September, will be hard-pressed to step up spending until their economic prospects improve later this year. They have gone into hiding during the past several months, shunning major expenditures such as automobiles, furniture and other home furnishings, as well as those related to home renovations – all contributing to significantly lower retail sales.

To reinvigorate the economy both the provincial and federal governments have turned on the fiscal tap. Spending on public infrastructures is slated to jump by 15% in the province this fiscal year, which will partly offset the weakness in the remainder of the economy. It will also help set the stage for a return to growth overall next year along with an expected recovery in commodity markets, although a bigger kick will come in and around February from an increase in tourism spending associated with the 2010 Olympic and Paralympic Winter Games. Real GDP in the province is forecast to rebound to 2.9% in 2010.

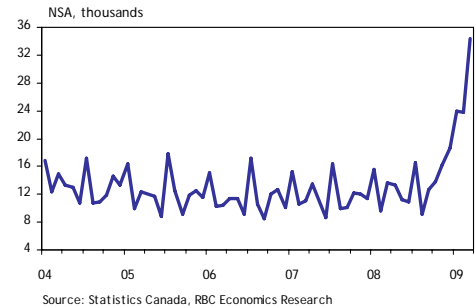
### Alberta – Capital investment, consumers sitting out 2009

Alberta's economy is in the midst of a severe slump that is taking a toll on its job market, which not so long ago was showing all the signs of overheating. Mounting layoffs in the province have caused a surge in new employment insurance claimants since last fall – their numbers recently jumped 145% above year-ago levels, the sharpest increase among provinces. Correspondingly, Alberta's unemployment rate has spiked during the past several months, attaining 6.6% in May, the highest level since October 1996, and taking away the crown of the lowest jobless rate in the country the province has held since early 2004. The recent publication of Statistics Canada's provincial accounts revealed that the downturn in the province's economy had already dented real GDP last year, which contracted by 0.2% for the first time since 1986. Unfortunately, not only is the provincial economy expected to continue to contract in 2009, but the pace will likely intensify.

The plunge in energy prices during the latter half of last year, elevated construction costs and the credit crunch have thrown several capital projects off course since last summer and spending plans have been scaled back considerably. In the all-important oilsands sector, more than one-half of the \$130 billion in proposed projects was on hold at the end of April. For this year, capital expenditures in that sector are projected to plummet, cut by one-half compared to 2008 according to the Alberta government in its most recent budget. However, most that drop might already be behind us, as the recent run-up in oil prices has lifted them above breakeven levels of major projects (which have lately benefited from an easing in construction costs) and sparked renewed interest in proceeding with construction.

Capital spending related to natural gas development remains bleak given persistent low natural gas prices. Similarly, prospects for residential investment still

Alberta initial employment insurance claims



Alberta retail sales



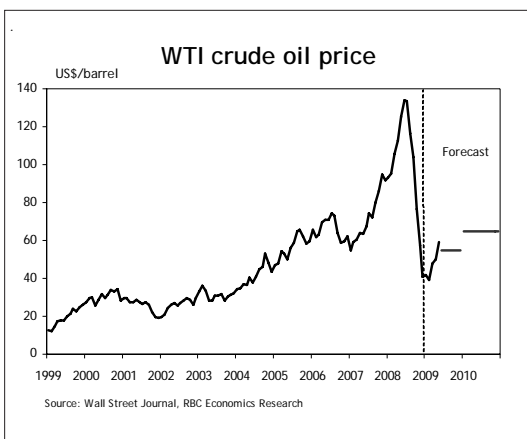
look grim with housing starts down 65% year-over-year in the first five months and projected to hit a 13-year low for all of 2009. There is little, if any, offset coming from the public side as the Alberta government opted in its budget to hold the line on stimulus spending and, in fact, is planning to cut expenditures on infrastructure during the 2009-10 fiscal year, while significantly restraining program spending to a growth rate of less than 2% in nominal terms, following an average of more than 11% annually in the past five fiscal years. Weaker investment will weigh heavily Alberta's performance this year.

Further hampering performance will be a sharp drop in consumer spending. Alberta consumers have clearly hunkered down in the face of the recent downturn in the energy sector and deteriorating job market. Retail sales plummeted by more than 10% year-over-year in the first quarter with new motor vehicles hit the hardest, down 29% by units sold. We expect consumer spending to start improving gradually through the latter part of the year but will remain a drag for the year overall. Real GDP is forecast to decline by 2.5%, the province's most severe contraction since 1982. Next year, increased construction activity that is expected to arise from new megaprojects and the resumption of work on currently idled projects – with oil prices expected to be sustained around \$65 (US) per barrel – will support a turnaround in Alberta's economy, with real GDP forecast to bounce back to a 2.9% growth rate.

### Saskatchewan – Commodity prices to strengthen through the forecast

With the U.S. and global recessions taking a toll on Saskatchewan's economy, provincial GDP growth is expected to slow this year to 0.7% from a 4.4% gain in 2008. However, we expect that the impact will be more muted in the province compared to elsewhere in the country. In fact, our forecast for Saskatchewan tops the provincial rankings once again in 2009, one of only three provinces to record an increase in output this year, along with Manitoba and Nova Scotia. Given our view that positive growth will return to the United States by the second half of this year and be sustained in 2010, demand for key Saskatchewan export products, including potash, grains, uranium and oil, should improve with an attendant rise in prices. This is expected to boost provincial incomes, sustain strong business investment and, thus, contribute to strengthening growth in Saskatchewan's economy to 2.8% in 2010.

Mineral production to date in the province attests to the current weakness in demand for various raw materials. Potash production is down a whopping 53% in the first quarter of this year compared to the same period in 2008 as major producers cut output to defend historically elevated prices in the face of a sharp drop in usage by world farmers. More comprehensive labour market data reflect weakness as well with the unemployment rate rising more than a full percentage point from a recent low of 3.8% in November of last year to 4.9% in May. However, the rise in the unemployment rate has occurred despite continuing job gains on a year-over-year basis, which have been outstripped by an even faster advance in the labour force. Increases in the latter during the past two years have largely reflected positive net inter-provincial migration as a result of the province's strong economic performance.



Solid non-residential construction activity – for example, the Mosaic Company is on track to spending more than \$3 billion during the next 11 years on three potash projects – will be supplemented by the ramping up of infrastructure spending recently announced by the provincial government. Nonetheless, performance of the overall construction sector is expected to be tempered by the projected cooling of activity on the residential side this year. With the earlier surge in housing prices and weakening labour markets having impaired affordability, we are projecting that housing starts will be more than halved this year to 3,300 in 2009 from 6,800 in 2008 before reviving modestly to 3,700 units next year as the general economic environment improves.

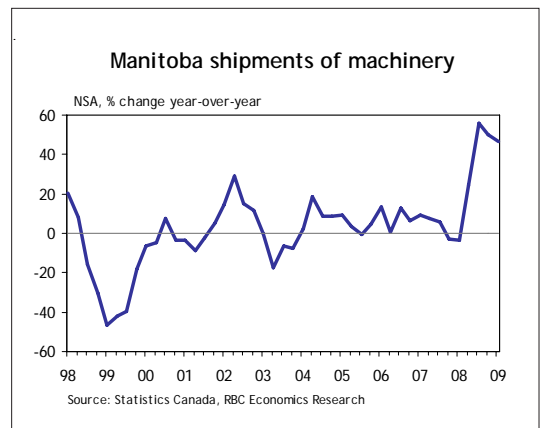
### Manitoba – Industrial diversification comes in handy

Manitoba has not been able to sidestep the severe recession battering its major trading partners. The main effect it has felt has been the shutdown of large primary metal operations, which was prompted by the drop in global base metal demand. This has weighed on both manufacturing activity and the labour market. Manufacturing shipments fell an annualized 4.9% in the first quarter. Provincial employment has trended lower so far this year and the jobless rate has risen to 4.9% in May from an average last year of 4.1%. However, the deterioration has been much less pronounced compared to the national numbers where manufacturing shipments have plummeted 17% (largely reflecting the auto crisis) and the unemployment rate has gone from an average last year of 6.2% to 8.4% in May.

This more muted impact is largely the result of greater strength in provincial manufacturing industries outside of primary metals (including a surge in machinery production and a smaller decline in transportation equipment thanks to healthy bus production) as well as continuing strong capital expenditures. Yet these factors will not prevent growth in the province from slowing significantly to 0.5% this year from 2.4% in 2008 – although this is still the second best provincial growth performance next to neighbouring Saskatchewan. With the United States expected to return to positive growth starting in the second half of this year, Manitoba’s manufacturing sector – and base metal production in particular – should pick up steam, further boosting its real GDP growth to 2.8% in 2010.

Growth in the province is also expected get support from infrastructure spending with the Manitoba government announcing in its 2009 budget that capital expenditures of \$1.6 billion would be undertaken by FY2010 (including \$135 million coming from the federal government’s infrastructure initiative). Expenditure will mainly focus on highways, universities and healthcare facilities. This expenditure will be further supplemented by ongoing spending in the province on various hydro-electric projects. For example, spending on the Wuskwatim Dam (\$600 million) will likely occur during the next two years, while expenditure on the Riel Converter Station (\$750 million) projected to get under way next year.

The agricultural sector is also expected to benefit from strengthening grain prices through the forecast period as a result of supply problems globally in the near-term and rising demand further out. However, there are some downside risks about this year’s fall harvest due to the damage caused to agricultural areas by major flooding this spring.



## Ontario – Sinking deeper

Ontario's economy entered 2009 covered in bruises after it contracted the most in the fourth quarter in nearly 18 years. Far from regaining its footing early in 2009, however, evidence so far indicates that it likely sunk even deeper as the key auto sector almost completely shut down during January and only partly resumed operations subsequently amid free-falling motor vehicle sales in North America and deep troubles at GM and Chrysler. First-quarter manufacturing activity collapsed, causing more jobs to be shed and stifling already-tenuous confidence.

Housing construction continued to slide, accelerating a trend since spring last year, which has also weighed on provincial employment. The jobless rate surged to a 12-year high and consumers stayed away from retail stores and auto dealerships in greater numbers. This poorer-than-expected start to the year has prompted us to revise our real GDP forecast lower to a decline of 3.4% this year from our previous forecast of a 1.9% drop. Ontario is clearly in the midst of a severe recession, but conditions are not quite as dire as they were during the 1990-91 downturn when its economy shrunk by 5.6% cumulatively (1.7% in 1990 and 3.9% in 1991). Taking into account a decline of 0.4% in 2008, the two-year drop in real GDP this time is projected to be 3.9%.

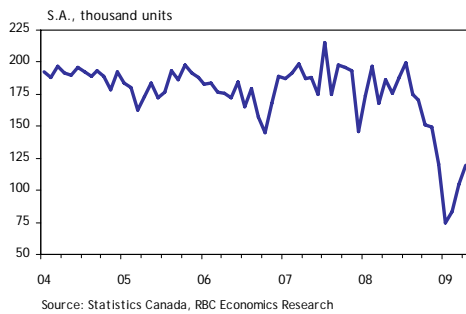
The path ahead for Ontario's economy is fraught with uncertainty, particularly the fate of major motor vehicle and parts manufacturing operations in the province. As GM and Chrysler continue to work through extensive restructuring proposals (under U.S. court protection) to secure assistance from the U.S., Canadian and Ontario governments, the situation will remain fluid until agreements are reached between stakeholders. At this juncture, it appears that capacity consolidation will primarily take place in the United States, although some plants in Ontario will also be affected – for example, a light truck manufacturing operation in Oshawa was already shut down in May and a transmission plant in Windsor will be closed in 2010.

Financial assistance from the Canadian and Ontario governments is conditional on companies maintaining their historical share (roughly 20%) of North American production in Canada, which would effectively protect remaining plants in Ontario. However, any derailment in the ongoing negotiations could put Ontario operations at greater risk. The situation among parts manufacturers is even more fluid as the viability of many of them also depends on the fate of assembly plants south of the border, not just in Ontario.

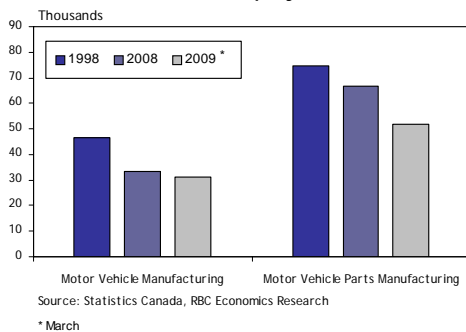
While it is difficult to accurately estimate the overall economic impact (i.e., direct and indirect) of the restructuring at GM and Chrysler, we have pencilled in a hit on the province's real GDP of between 0.5 and one percentage point in 2009 – primarily to reflect the light truck plant's permanent closure and temporary idling of the remaining GM and Chrysler operations.

With the auto industry expected to stabilize by next year, Ontario's economy will show greater benefits from the substantial monetary and fiscal stimulus. In particular, the ramping up of infrastructure spending at all levels of government will reach its crest, meaningfully boosting construction activity. Perhaps as

Canadian motor vehicle production



Ontario employment



important will be even greater stimulus south of the border, which is expected to revive U.S. demand for Ontario products and services. These factors should contribute to bringing growth back in the province, projected at a moderate 2.2% in 2010, still weaker than the national average of 2.5%.

## Quebec – Caving under pressure

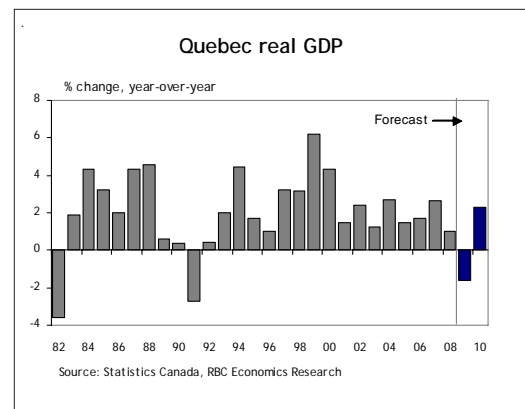
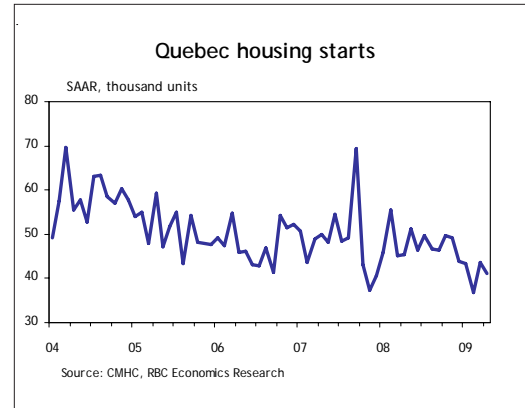
The performance of Quebec's economy has eroded considerably during the first few months of 2009 with the recession taking down key sectoral holdouts. After putting up strong resistance until late fall, demand for residential construction has finally caved and builders have had to put the brakes on new home building in the province, slowing the pace of housing starts down to the second lowest point since the end of 2001. Momentum will likely remain sluggish in the near-term — building permits issued by municipalities have declined in recent months. Similarly, Quebec manufacturers – who had bucked the general weakening trend in the sector until the fall – have seen their fortunes reverse sharply. Industrial heavyweights such as aluminum producers have cut production in the face of significant deterioration in market conditions since last summer. Aerospace firms recently suffered setbacks when corporate jet orders dried up as a result of the global economic crisis. Long-suffering producers of wood products, pulp and paper, and furniture have continued to experience dwindling business. Performance erosion is also evident on the services side.

Quebec consumers took a pass at the Christmas shopping season and have since been slow to return to the malls. As was the case in the rest of Canada, they vacated car dealerships en masse earlier this year although some have been lured back in the spring. Already in a tough battle against the effects of the rise in the Canadian dollar last year and ensuing drop in visitors from the United States, tourism industries have been forced into retreat, no longer able to find offsets from now fewer, frugal domestic travellers. Transportation service providers have further felt the weight of the weakening flow of goods.

The negative forces at play so far this year are both more intense and likely to persist longer than previously anticipated. We have thus lowered our real GDP growth forecast for the province to -1.6% from -0.5% in our March outlook. This would represent the first annual contraction in activity since 1991, although it would rank as a milder event – Quebec's economy shrank by 2.7% in 1991. A much more severe contraction of 3.6% was experienced in 1982 when the jobless rate in the province surged to a generational high of nearly 16%. We forecast that rate to average 8.8% in 2009 and 9.4% in 2010.

While the situation is the toughest in 18 years, Quebec is expected to get through the recession with fewer bumps and bruises than Canada's other large provinces. One key reason is that overall activity is less vulnerable to the breakdown of a major economic catalyst such as the auto sector for Ontario. Another key reason is that fiscal stimulus has had a headstart in the province.

The Quebec government began last year implementing a hefty, five-year infrastructure renewal plan, which it boosted to \$42 billion (as it extended it to 2013) in its January economic update. In the current fiscal year, spending on public infrastructure is set to climb by more than 8%. At the same time, Hydro-Québec is planning an 11% boost to its capital investment expenditures. This burst of



activity from the public sector should be felt relatively quickly and go a long way towards compensating for a slowdown in private sector investment. With the infrastructure engine revved up, the credit crisis subsiding and Quebec's main trading partners regaining their footing later this year, consumer and business sentiment should gradually turn around, which is expected to spur a moderate recovery during 2010 with real GDP forecast to grow by 2.3%.

### New Brunswick – Fiscal policy turns highly stimulative

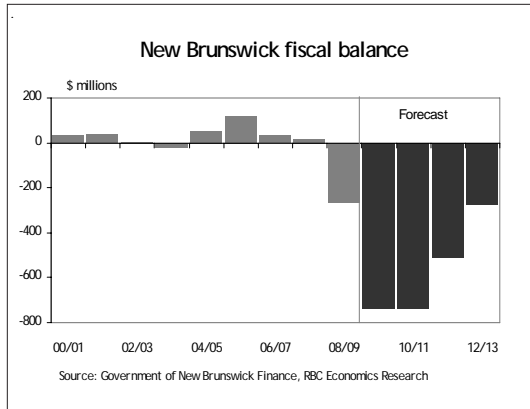
Earlier this year, New Brunswick's economy looked poised to be significantly hit by a combination of the U.S. slowdown, attendant weakening in commodity exports and prices, and a sharp falloff in capital expenditures. In response, the provincial government in its May 20th budget announced a relatively aggressive spending package on infrastructure. Although this spending is not expected to prevent the provincial economy from contracting this year, it will attenuate the decline to a relatively moderate 0.5%. Growth in the province is expected to rebound to an above-average 2.7% in 2010 as recovering U.S. demand removes a significant drag on performance. However, this pace of growth will be insufficient to prevent the unemployment rate from steadily rising from 8.6% in 2008 to 9.5% and 10.3% in 2009 and 2010, respectively.

The winding down of expenditure on the Canaport LNG facility was a key factor contributing to the Statistics Canada survey on investment spending in the province showing a decline of more than 11% this year compared to 2008, which represented the second largest decline among all provinces. This was likely a central consideration in the Province of New Brunswick announcing \$1.2 billion in additional spending for infrastructure in its most recent budget, with slightly more than one-half being allocated for the current fiscal year (ending March 31, 2010) and the remainder to the next fiscal year. This spending will help provide underlying support to growth through the entire forecast period.

That support in 2009 is critical given the low level of demand and prices for a number of key commodities produced in the province. The pain has been particularly evident in the forestry sector. The weakness in the U.S. housing market is contributing to a fall in demand for lumber with attendant negative implications for prices in a sector already dealing with deep structural issues. However, there have been some tentative indications that U.S. housing activity is starting to stabilize, albeit at very low levels, that imply that the worst may be over for this sector. Similarly, the weak U.S. economy has reduced demand for pulp and paper, which should start to revive once overall economic activity returns to positive growth.

### Nova Scotia – Capital spending to the rescue

When Statistics Canada released its annual private and public investment intentions survey for 2009 in February, it showed that, while business investment nationally would be down 6.6%, Nova Scotia would be one of three provinces to show a rare increase – 6.7%. Strength in capital spending is the main reason why we still expect the province to be one of three provinces to eke out positive economic growth this year. Although the gain in real GDP will be a minimal 0.2%, this is in stark contrast to the 2.4% decline that we are projecting nationally. The continuation of this capital spending next year and an anticipated rebound in



growth both nationally and in the United States and attendant recovery in commodity prices are expected to send growth in Nova Scotia back up to 2.5% in 2010.

The strength in business investment largely reflects spending on the \$760-million Deep Panuke natural gas facility. Expenditure on this project will extend into 2010 with actual production expected to commence late that year. Capital spending during the forecast period was poised to receive an additional boost from public sector spending, with the recent provincial budget announcing \$800 million in new spending on infrastructure. However, with the defeat of the PC government in the June 9 provincial election, we have not incorporated this spending in the forecast.

The strength in business investment spending is helping to offset weakness in a number of other areas of the provincial economy. The global economic slump has added further downward pressure on already weak commodity prices that are key to Nova Scotia's economy such as for natural gas, forestry and fish. As well, the domestic economy will likely be restrained near-term by growing weakness in labour markets with employment growth slowing and even turning negative in recent months. This has contributed to the unemployment rate rising from a 2008 average of 7.7% to 8.9% in May.

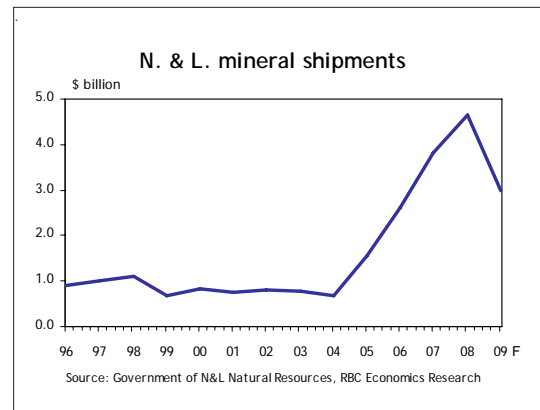
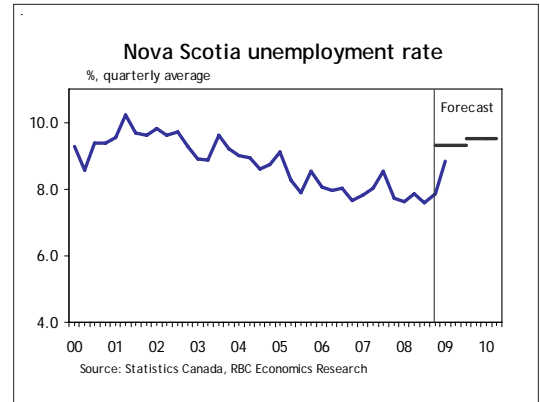
Looking ahead, the projected rebound in the U.S. economy later this year and through 2010 should result in some modest strengthening in Nova Scotia's key commodities. This, in conjunction with continued capital spending, will contribute to a rebound in provincial growth to 2.5% in 2010.

### Newfoundland & Labrador – Headwinds get stronger

Confidence remains strong in Newfoundland & Labrador that the provincial economy will ride out the global recession relatively unscathed thanks in large part to the impetus of large capital projects expected to keep workers busy for some time to come. While it is true that performance has been quite robust until recently, there are signs emerging that suggest Newfoundland & Labrador is not immune to the stiff global economic headwinds.

On the resources side, softer demand and the resulting nose-dive in the prices for commodities following last summer's peaks have negatively affected energy and metals production in the province. Iron ore mining operations cut output by nearly 19% in the first quarter compared to a year ago and rapidly rising stocks would indicate that they will further slash it in the near term. Market-related downtime is also affecting nickel production. In the case of crude oil, rapid maturation of the province's existing offshore oil fields will keep output on an accelerated downward track until late this year or early next when the White Rose project expansion enters into operation. Crude oil production in Newfoundland & Labrador fell by more than 4% year-over-year during the first quarter. The forest products sector has been dealt a blow by the recent closure of the AbitibiBowater newsprint mill in Grand Falls, which is also weighing on the province's exports.

The domestic side of the economy is now showing cracks. Erosion in the job market during the past year has finally caught up with consumers. Retail sales



have softened considerably in the first few months of 2009. Demand for housing has also cooled, with both housing starts and existing home sales inching lower recently – although levels have held up much better than elsewhere in the country through this stage of the cycle.

The sharp downswing in resource production this year has prompted us to revise lower our Newfoundland & Labrador’s real GDP growth forecast to -3.5% in 2009 from -1.9% in our March outlook. Strong capital investment spending, including on public infrastructures under the provincial government’s stimulus plan, will help attenuate what could be a much more severe contraction. Next year, a recovery in mineral output, the expansion of White Rose and continued strong capital spending are expected to significantly boost performance in the province with real GDP projected to grow by 3.0%.

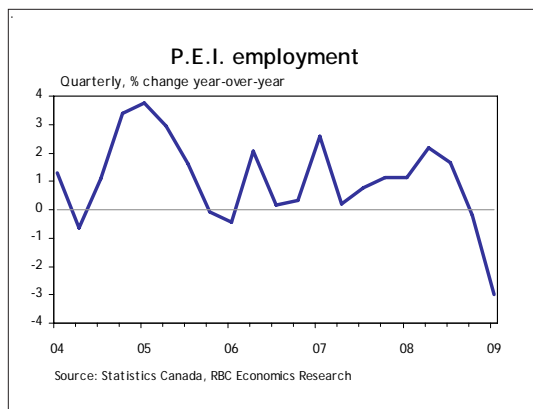
### Prince Edward Island – A mixed picture

PEI’s tourism industry is awaiting the peak travel season with some degree of apprehension this year as the tough economic conditions threaten to drag down business. The key question will be whether domestic travellers – who have been fairly resilient to this point – continue to come in sufficient numbers and spend enough to compensate for losses in spending by foreign visitors, hit by severe recessions in the United States, Japan and Europe. The surge in the Canadian dollar just as travelling plans are being hatched will not help. While destinations such as PEI should benefit from worried Canadians opting to spend their vacations at home, travel budgets are likely to be tight.

Any downside in tourism would exacerbate the year-long deterioration in the province’s job market. By May, employment had dropped 3.0% from a year ago and the jobless rate had climbed to its highest level since February 2002. This has weighed on consumer spending and the demand for housing in the province – although the slowing in real estate market activity has so far been only gradual and prices have held up reasonably well.

The food industry is showing divergent trends between strong performance by potato product producers and depressed conditions facing shellfish producers. Lobster prices have plummeted 26% year-over-year in May and off 44% compared with two years ago. On the bright side, despite the many challenges, the province’s exports are rising thanks in large part to strong growth in the aerospace industry, one of PEI’s success stories.

Public capital spending is on an upswing as part of a provincial government’s five-year infrastructure program. Construction of institutional and governmental structures surged by more than 150% year-over-year in the first quarter and is expected to remain at elevated levels through the rest of the year, helping to offset the effects of the completion other large projects. All things considered, we expect the recessionary forces to cause a decline in PEI’s real GDP of 1.8% in 2009. Improving conditions next year should support a modest recovery, with a 2.0% growth rate being projected.



## Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Employment				Unemployment rate				Housing starts				Retail sales			
									%				Thousands							
	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>07</u>	<u>08</u>	<u>09</u>	<u>10</u>
N. & L.	9.1	-0.1	-3.5	3.0	0.7	1.5	-2.6	1.1	13.6	13.2	14.7	14.8	2.6	3.2	3.2	3.0	9.0	7.6	0.1	4.8
P.E.I.	2.4	0.9	-1.8	2.0	1.1	1.3	-2.3	1.0	10.3	10.7	12.5	12.6	0.8	0.7	0.5	0.7	7.7	5.6	-1.3	4.1
N.S.	1.7	2.0	0.2	2.5	1.3	1.2	-0.4	1.0	8.0	7.7	9.3	9.6	4.8	4.3	3.2	3.5	4.2	4.2	-2.8	4.5
N.B.	1.7	0.0	-0.5	2.7	2.1	0.9	-0.5	0.6	7.5	8.6	9.5	10.3	4.2	4.2	3.5	3.5	5.7	5.9	-2.2	4.1
QUE.	2.6	1.0	-1.6	2.3	2.3	0.8	-1.0	1.1	7.2	7.2	8.8	9.4	48.6	47.9	38.9	37.0	4.6	5.1	-1.5	4.5
ONT.	2.3	-0.4	-3.4	2.2	1.6	1.4	-2.6	1.0	6.4	6.5	9.3	9.9	68.1	75.6	52.7	65.0	3.9	3.5	-3.0	4.2
MAN.	3.3	2.4	0.5	2.8	1.6	1.7	-0.1	1.3	4.4	4.1	5.1	5.6	5.7	5.6	3.9	5.3	8.8	7.2	-2.6	5.4
SASK.	2.5	4.4	0.7	2.8	2.1	2.2	1.5	1.2	4.2	4.1	5.2	5.7	6.0	6.8	3.3	3.7	13.0	10.6	-1.9	5.8
ALTA.	3.1	-0.2	-2.5	2.9	4.7	2.7	-1.0	1.4	3.5	3.6	6.4	6.7	48.3	29.0	16.7	28.0	9.3	-0.1	-7.8	5.7
B.C.	3.0	-0.3	-1.9	2.9	3.2	2.1	-2.5	2.1	4.2	4.6	7.8	7.8	39.2	34.3	14.7	23.0	6.7	0.3	-6.5	5.9
CANADA	2.5	0.4	-2.4	2.5	2.3	1.5	-1.7	1.3	6.0	6.1	8.5	9.0	228	211	141	173	5.8	3.4	-3.7	4.8

## Key provincial comparisons

2008 unless otherwise indicated

	<u>N. &amp; L.</u>	<u>P.E.I.</u>	<u>N.S.</u>	<u>N.B.</u>	<u>QUE</u>	<u>ONT</u>	<u>MAN</u>	<u>SASK</u>	<u>ALTA</u>	<u>B.C.</u>
Population (2008, 000s)	508	140	938	747	7,742	12,910	1,206	1,014	3,574	4,374
Gross domestic product (\$ billions)	31.5	4.7	34.2	27.3	301.5	587.9	50.9	64.3	291.7	199.2
Real GDP (\$2002 billions)	19.7	4.2	29.4	23.7	268.6	534.0	42.7	41.6	187.0	164.2
Share of Canada real GDP (%)	1.5	0.3	2.2	1.8	20.3	40.4	3.2	3.1	14.2	12.4
Real GDP growth (CAR, last five years 03-08, %)	2.5	2.1	1.4	1.7	1.9	2.0	2.9	3.0	3.8	3.0
Real GDP per capita (\$)	38,734	30,002	31,318	31,674	34,694	41,366	35,383	40,988	52,335	37,534
Real GDP growth rate per capita (CAR, last five years 03-08, %)	2.9	1.7	1.3	1.8	1.2	0.9	2.1	2.6	1.2	1.9
Personal disposable income per capita (\$)	24,504	23,238	25,410	24,876	25,521	28,889	26,450	28,325	37,309	28,668
Employment growth (CAR, last five years 03-08, %)	0.7	1.2	1.0	1.3	1.4	1.5	1.2	1.5	3.2	2.8
Employment rate (May 2009, %)	49.6	59.3	58.7	58.8	60.1	61.0	66.0	67.2	69.8	61.1
Discomfort index (inflation + unemp. rates, April 2009)	15.1	12.1	8.8	8.6	8.7	9.3	5.5	5.6	5.3	7.7
Manufacturing industry output (% of real GDP)	5.0	11.7	10.6	11.8	18.3	17.4	12.8	7.6	9.2	9.3
Personal expenditures goods & services (% of real GDP)	55.1	70.9	71.3	68.2	64.4	60.1	64.3	58.4	52.7	69.8
International exports (% of real GDP)	38.5	32.5	24.2	42.3	33.5	42.4	30.2	38.5	36.3	25.5

## British Columbia

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	141,435	146,541	152,998	159,733	164,583	164,161	160,976	165,709
	% change	2.3	3.6	4.4	4.4	3.0	-0.3	-1.9	2.9
Employment	thousands	2,014.7	2,062.7	2,130.6	2,195.5	2,266.3	2,314.3	2,257.3	2,304.9
	% change	2.5	2.4	3.3	3.0	3.2	2.1	-2.5	2.1
Unemployment rate	%	8.0	7.2	5.9	4.8	4.2	4.6	7.8	7.8
Retail sales	\$ millions	44,421	47,217	49,286	52,837	56,365	56,562	52,902	56,019
	% change	2.7	6.3	4.4	7.2	6.7	0.3	-6.5	5.9
Housing starts	units	26,174	32,925	34,667	36,443	39,195	34,250	14,700	23,000
	% change	21.0	25.8	5.3	5.1	7.6	-12.6	-57.1	56.5

Source: Statistics Canada, RBC Economics Research

## Alberta

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	155,359	163,564	171,416	181,791	187,493	187,028	182,352	187,641
	% change	3.2	5.3	4.8	6.1	3.1	-0.2	-2.5	2.9
Employment	thousands	1,716.7	1,757.5	1,784.4	1,870.7	1,959.4	2,013.3	1,993.5	2,020.4
	% change	2.7	2.4	1.5	4.8	4.7	2.7	-1.0	1.4
Unemployment rate	%	5.1	4.6	3.9	3.4	3.5	3.6	6.4	6.7
Retail sales	\$ millions	39,318	43,372	48,493	55,942	61,160	61,069	56,303	59,530
	% change	4.4	10.3	11.8	15.4	9.3	-0.1	-7.8	5.7
Housing starts	units	36,171	36,270	40,847	48,962	48,336	28,967	16,700	28,000
	% change	-6.7	0.3	12.6	19.9	-1.3	-40.1	-42.3	67.7

## Saskatchewan

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	35,921	37,741	38,970	38,860	39,834	41,578	41,869	43,041
	% change	4.6	5.1	3.3	-0.3	2.5	4.4	0.7	2.8
Employment	thousands	476.1	479.7	483.5	491.6	501.7	512.7	520.5	526.7
	% change	1.7	0.8	0.8	1.7	2.1	2.2	1.5	1.2
Unemployment rate	%	5.6	5.3	5.1	4.7	4.2	4.1	5.2	5.7
Retail sales	\$ millions	9,858	10,259	10,796	11,495	12,984	14,360	14,090	14,904
	% change	5.0	4.1	5.2	6.5	13.0	10.6	-1.9	5.8
Housing starts	units	3,315	3,781	3,437	3,715	6,007	6,792	3,300	3,700
	% change	11.9	14.1	-9.1	8.1	61.7	13.1	-51.4	12.1

## Manitoba

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	37,059	37,861	38,783	40,344	41,662	42,655	42,868	44,086
	% change	1.4	2.2	2.4	4.0	3.3	2.4	0.5	2.8
Employment	thousands	570.3	576.6	580.3	587.0	596.5	606.7	606.3	614.3
	% change	0.5	1.1	0.6	1.1	1.6	1.7	-0.1	1.3
Unemployment rate	%	5.0	5.3	4.8	4.3	4.4	4.1	5.1	5.6
Retail sales	\$ millions	10,953	11,692	12,381	12,870	14,008	15,017	14,619	15,414
	% change	3.6	6.7	5.9	3.9	8.8	7.2	-2.6	5.4
Housing starts	units	4,206	4,440	4,731	5,028	5,738	5,550	3,900	5,300
	% change	16.3	5.6	6.6	6.3	14.1	-3.3	-29.7	35.9

Source: Statistics Canada, RBC Economics Research

## Ontario

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	484,341	496,780	510,626	524,105	536,340	534,036	515,665	527,010
	% change	1.4	2.6	2.8	2.6	2.3	-0.4	-3.4	2.2
Employment	thousands	6,213.2	6,316.5	6,397.8	6,492.7	6,593.8	6,687.3	6,513.5	6,581.9
	% change	3.0	1.7	1.3	1.5	1.6	1.4	-2.6	1.0
Unemployment rate	%	6.9	6.8	6.6	6.3	6.4	6.5	9.3	9.9
Retail sales	\$ millions	125,122	129,086	135,321	140,808	146,252	151,375	146,795	152,902
	% change	3.4	3.2	4.8	4.1	3.9	3.5	-3.0	4.2
Housing starts	units	85,180	85,114	78,795	73,417	68,123	75,567	52,700	65,000
	% change	1.9	-0.1	-7.4	-6.8	-7.2	10.9	-30.3	23.3

## Quebec

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	244,422	251,028	254,708	259,032	265,888	268,609	264,204	270,281
	% change	1.2	2.7	1.5	1.7	2.6	1.0	-1.6	2.3
Employment	thousands	3,628.8	3,680.5	3,717.3	3,765.5	3,851.7	3,881.7	3,844.2	3,888.4
	% change	1.7	1.4	1.0	1.3	2.3	0.8	-1.0	1.1
Unemployment rate	%	9.1	8.5	8.3	8.0	7.2	7.2	8.8	9.4
Retail sales	\$ millions	75,326	78,518	82,533	86,709	90,663	95,321	93,921	98,103
	% change	4.5	4.2	5.1	5.1	4.6	5.1	-1.5	4.5
Housing starts	units	50,289	58,448	50,910	47,877	48,553	47,925	38,900	37,000
	% change	18.5	16.2	-12.9	-6.0	1.4	-1.3	-18.8	-4.9

## New Brunswick

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	21,765	22,366	22,727	23,280	23,669	23,665	23,547	24,182
	% change	2.8	2.8	1.6	2.4	1.7	0.0	-0.5	2.7
Employment	thousands	343.1	350.1	350.5	355.4	362.8	366.2	364.3	366.5
	% change	0.0	2.0	0.1	1.4	2.1	0.9	-0.5	0.6
Unemployment rate	%	10.3	9.8	9.7	8.8	7.5	8.6	9.5	10.3
Retail sales	\$ millions	7,827	7,963	8,326	8,814	9,318	9,872	9,656	10,047
	% change	0.5	1.7	4.6	5.9	5.7	5.9	-2.2	4.1
Housing starts	units	4,489	3,947	3,959	4,085	4,242	4,175	3,500	3,500
	% change	16.2	-12.1	0.3	3.2	3.8	-1.6	-16.2	0.0

Source: Statistics Canada, RBC Economics Research

## Nova Scotia

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	27,464	27,710	28,069	28,328	28,803	29,380	29,439	30,175
	% change	1.4	0.9	1.3	0.9	1.7	2.0	0.2	2.5
Employment	thousands	431.2	442.2	443.0	441.8	447.6	453.2	451.6	456.0
	% change	2.0	2.6	0.2	-0.3	1.3	1.2	-0.4	1.0
Unemployment rate	%	9.1	8.8	8.4	7.9	8.0	7.7	9.3	9.6
Retail sales	\$ millions	10,015	10,297	10,527	11,163	11,636	12,129	11,790	12,325
	% change	1.8	2.8	2.2	6.0	4.2	4.2	-2.8	4.5
Housing starts	units	5,096	4,717	4,775	4,896	4,750	4,267	3,200	3,500
	% change	2.5	-7.4	1.2	2.5	-3.0	-10.2	-25.0	9.4

## Prince Edward Island

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	3,778	3,877	3,955	4,051	4,149	4,187	4,112	4,194
	% change	2.1	2.6	2.0	2.4	2.4	0.9	-1.8	2.0
Employment	thousands	66.1	66.9	68.2	68.6	69.3	70.3	68.6	69.3
	% change	2.2	1.3	1.9	0.6	1.1	1.3	-2.3	1.0
Unemployment rate	%	11.0	11.2	10.8	11.1	10.3	10.7	12.5	12.6
Retail sales	\$ millions	1,383	1,385	1,424	1,512	1,629	1,721	1,698	1,769
	% change	1.0	0.1	2.8	6.2	7.7	5.6	-1.3	4.1
Housing starts	units	814	919	862	738	750	700	530	700
	% change	5.0	12.9	-6.2	-14.4	1.6	-6.7	-24.3	32.1

## Newfoundland & Labrador

		<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Real GDP	\$2002 millions	17,419	17,209	17,531	18,058	19,696	19,680	18,991	19,561
	% change	5.8	-1.2	1.9	3.0	9.1	-0.1	-3.5	3.0
Employment	thousands	212.3	214.3	214.1	215.7	217.1	220.3	214.6	216.9
	% change	2.4	1.0	-0.1	0.7	0.7	1.5	-2.6	1.1
Unemployment rate	%	16.5	15.7	15.2	14.8	13.6	13.2	14.7	14.8
Retail sales	\$ millions	5,736	5,755	5,826	6,026	6,567	7,063	7,072	7,411
	% change	6.1	0.3	1.2	3.4	9.0	7.6	0.1	4.8
Housing starts	units	2,692	2,870	2,498	2,234	2,649	3,233	3,200	3,000
	% change	11.3	6.6	-13.0	-10.6	18.6	22.1	-1.0	-6.3

Source: Statistics Canada, RBC Economics Research

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