



ALBERTA MAINTAINS STRONG ECONOMIC MOMENTUM DESPITE RECORD FLOODS: RBC ECONOMICS

TORONTO, September 17, 2013 — Not even the worst floods in memory will be enough to restrain Alberta's economy in this year, according to the latest [RBC Economics Provincial Outlook](#) released today. In fact, post-flood spending will more than compensate for the drop in economic activity related to the natural disaster. RBC is upwardly revising its provincial real GDP growth rate to 3.2 per cent in 2013, up from the 3.0 per cent previously projected due to the anticipated economic boost from post-flood spending.

Alberta's economic momentum may have faltered slightly during and immediately after the floods which displaced approximately 100,000 residents, resulting in production disruptions in the oil and manufacturing sectors, temporary shutdowns in the pipeline sector and a loss of tourism traffic, among other adverse economic consequences. However, these restraining effects will prove to be temporary. The Alberta government recently estimated that the floods will add 0.2 percentage points to growth in 2013, and 0.4 percentage points in 2014.

"There is no doubt Alberta's economy took a hit after the floods, however, the province has shown tremendous resiliency, and we expect the economy to spring forward for the remainder of 2013," said Craig Wright, senior vice-president and chief economist, RBC. "Post-flood spending will more than make up for the short-lived economic challenges Alberta experienced at the beginning of the summer."

RBC says that annual GDP statistics will fully capture the additional spending and work required by the reconstruction, repair and replacement that will take place, but will essentially ignore the destruction of or damage to property.

"Even without this perverse lift that the floods will provide to the provincial economy, Alberta continues to demonstrate substantial and sustained economic momentum," said Wright.

RBC notes that as of this spring, crude oil production maintained its record pace, and merchandise exports rose by 4.8 per cent in the first seven months of 2013 compared to the previous year. Employment was up by a solid 3.6 per cent year-over-year in August, and, at 3.2 per cent in the second quarter, population growth was the strongest it has been since 1982. Furthermore, retail sales rose by an impressive 6.5 per cent in the first half of the year.

Housing starts in the province were tracking more than 9.0 per cent higher cumulatively by July, compared to the same period in 2012, and home resale activity remained on a sharp upswing. RBC says non-residential building construction was flat compared to last year, but levels continued to be historically strong.

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“In addition to the boost from post-flood spending, we expect Alberta’s economy to benefit from stronger capital investment in oil sands now that earlier ‘bitumen bubble’ concerns have largely receded. We expect real GDP growth of 4.1 per cent in 2014,” said Wright.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at rbc.com/economics/economic-reports/provincial-economic-forecasts.html.

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