



ONTARIO ECONOMY SET FOR GROWTH DESPITE DISAPPOINTING PACE OF EXPORTS AND MANUFACTURING PRODUCTION: RBC ECONOMICS

TORONTO, September 17, 2013 — After seeing encouraging signs earlier this year, Ontario's economic momentum failed to pick up as expected in recent months, according to the latest [RBC Economics Provincial Outlook](#) issued today. With little evidence strengthening activity so far this year, RBC has revised its forecast for provincial real GDP growth to 1.3 per cent in 2013, down from a previously expected 1.7 per cent. Still, RBC projects the pace of growth to accelerate in 2014.

“We continue to anticipate exports to be the prime source of economic growth in Ontario, even though we saw merchandise trade virtually stall in recent months,” said Craig Wright, senior vice-president and chief economist, RBC. “As the U.S. economy recovers further, demand for Ontario's exports will rise and contribute real GDP growth of 2.8 per cent in 2014.”

The RBC report notes that among the more positive economic developments in Ontario during the first half of 2013 were a resilient housing sector and strong consumer spending on big-ticket items. However, the lacklustre demand for provincial merchandise exports and manufacturing production has contributed to a notable drag on growth so far in 2013.

In the June Provincial Outlook, RBC expected auto plants and parts manufacturers in Ontario to ramp up production as demand and sales for light vehicles were up dramatically earlier in the year. RBC notes that motor vehicle production was down 7.9 per cent in the first eight months of 2013 relative to the same period a year ago, indicating that Ontario is losing ground to other jurisdictions, including the U.S. southern states and Mexico.

Furthermore, exports of machinery, primary metals, industrial chemicals and paper fell year-over-year during the first half of 2013. Nonetheless, RBC remains confident that stronger U.S. economic activity will boost demand for Ontario goods and services during the remainder of this year and into next; this will set the stage for the external trade sector to contribute positively to growth.

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On the bright side, home building continued to be a steady source of economic activity in Ontario, with residential investment up 3.8 per cent year-over-year in the first half of 2013. RBC says that continued job growth was a key factor sustaining housing demand, however, slowing population growth and rising mortgage rates will weigh on housing starts this year and next. RBC forecasts housing starts to moderate from 76,700 units in 2012 to 61,000 units in 2013 and 57,500 units in 2014.

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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