



ONTARIO'S ECONOMY ON TRACK TO ACCELERATE IN 2014: RBC ECONOMICS

TORONTO, September 11, 2014 — Ontario's economy is on track for accelerated growth in 2014, driven by a long-awaited turnaround in exports and a rebound in residential investment, according to the latest [RBC Economics Provincial Outlook](#) released today. Still, the recent pick up in activity is somewhat weaker than previously anticipated following a sluggish start to the year, prompting RBC to revise its real GDP forecast for 2014 slightly lower – to 2.1 per cent from the 2.3 per cent previously forecasted.

“Poor weather this past winter significantly disrupted the flow of goods transported across and outside of Ontario, causing the economy to lose momentum. More recently however, we've seen some encouraging developments,” said Craig Wright, senior vice-president and chief economist, RBC. “Chief among them was that provincial exports have finally gained traction and that residential investment rebounded. These factors will contribute to accelerated economic growth for Ontario in 2014 from the tepid pace we've seen in the last two years.”

RBC also anticipates that rapidly improving U.S. demand will sustain further acceleration next year, and has maintained a solid 2.8 per cent forecast for 2015.

The arrival of spring brought a surge of activity RBC says. The strongest evidence was witnessed in external trade where merchandise exports to other countries increased by 6.0 per cent in the second quarter from first-quarter levels. Additionally, the value of Ontario's top export commodity group – motor vehicles and parts – surged by 19 per cent while consumer goods exports made a 4.0 per cent gain.

“While it is unlikely that the burst of Ontario's exports in Q2 will be sustained, year-to-date results suggest that merchandise exports indeed have switched to a higher gear,” added Wright.

After facing significant headwinds for more than a decade, RBC says Ontario's manufacturers benefited from external demand with sales growing by more than five per cent during the first half of 2014.

The report notes the effect of net trade on the province's economy is much more limited, however. Merchandise imports from other countries also picked up noticeably this year, causing Ontario's trade deficit with the rest of the world to deteriorate. Still, RBC says the gain in imports suggests domestic demand is strengthening in the province, particularly in consumer spending and business investment.

Ontario's housing sector was another victim of the poor weather earlier this year when both the resale market and home construction slowed considerably, but was revived by a surge of activity in the spring. Wright notes that declines in mortgage rates further energized the sector to a point that prompted RBC to upwardly revise the housing starts forecast to 61,600 units in 2014 from 58,900 units previously. This new forecast is now marginally above the total for 2013 at 61,100 units, suggesting that housing may contribute to growth again this year.

"While we see surprising resilience in Ontario's housing market at this stage, we should caution that an expected rise in interest rates next year will likely have a cooling effect leading to a slight moderation in home building activity in the province. We anticipate housing starts will ease to 59,000 units in 2015," added 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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