



NEWS

ALBERTA'S ECONOMY REGAINING STATUS AS POWERHOUSE OF GROWTH: RBC ECONOMICS

Energy-related sector drives provincial growth

TORONTO, September 12, 2011 — Despite the devastating forest fires in May that disrupted economic activity, Alberta is positioned as one of Canada's provincial leaders in growth, according to the latest RBC Economics Provincial Outlook report. The provincial economy is set to grow at a rate of 3.7 per cent in 2011.

Over the last two years, increased production at major oil sands projects in Alberta has rapidly boosted crude oil output and signs of further acceleration emerged earlier this year. The wildfires then forced widespread shut-downs in late-May and caused oil production to plummet in the weeks that followed.

"We expect that the negative economic impact from the wildfires will be short-lived, as most facilities were able to resume operations fairly quickly after the fires subsided," said Craig Wright, senior vice-president and chief economist, RBC. "The economic loss associated with this disaster should be largely recovered in the second half of 2011."

Solid investment in Alberta's energy-related sector is the key driver of economic growth at play in the province. Oil and gas producers are slated to spend more than 24 billion dollars in 2011, an 18 per cent increase over 2010.

"Continued strength in energy-related sectors will support a slight acceleration in economic growth to 3.9 per cent in 2012, maintaining Alberta's status as a growth powerhouse," said Wright. "This has had a positive impact on employment, as more than 77,000 jobs were added to the Alberta economy in the first eight months of this year, which was the strongest gain ever recorded over this period in the province."

The report indicated that strong employment has helped to boost retail sales growth. In the first half of the year, consumer spending at retail stores has ramped up to a brisk six per cent year-over-year pace. Big ticket items like vehicles remain top of mind for consumers, while housing has been placed on the back burner. Home construction to this point has been somewhat tepid in 2011.

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Another positive shock from Alberta's red-hot energy sector is its impact on provincial government revenues – the provincial deficit projection was slashed in fiscal 2011 by 2.1 billion dollars to 1.3 billion, which may allow the government to move to a balanced budget earlier than planned.

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 <http://www.rbc.com/newsroom/reports.html>.

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