



## ONTARIO'S ECONOMY CONTINUES ON GROWTH TRACK: RBC ECONOMICS

**TORONTO, December 12, 2011** — Following a slowdown in activity earlier this year, Ontario's economy is showing signs that it is on track for modest growth, according to the latest [RBC Economics Provincial Outlook](#) report. RBC is forecasting that Ontario's economy will grow by two per cent in 2011 and 2.3 per cent in 2012.

“Barring any major slippage in the European sovereign debt crisis, Ontario's economy is now on a path of modest growth that will extend into next year,” said Craig Wright, senior vice-president and chief economist, RBC. “Recently, we have seen further recovery in the manufacturing sector, thanks in large part to rising vehicle production where we see plenty of room for further gains going forward.”

The RBC report indicates that the earthquake and tsunami in Japan earlier this year severely disrupted Ontario's vehicle production. Encouragingly, the pace of auto production has trended higher since August and there was even a notable acceleration in November. Still, levels still remain below those at the beginning of 2011. Other Ontario manufacturing industries are also beginning to heat up – particularly machinery, primary metals, and fabricated metal products.

“As U.S. demand for Ontario goods strengthens, we expect manufacturing sales to continue to increase and contribute to an overall modest acceleration in provincial economic growth next year,” added Wright.

On the other hand, the provincial labour market has experienced some ups and downs this year. After starting off strong – with the creation of 110,000 net new jobs – employment in the province has shifted down several gears in recent months; the unemployment rate increased to 7.9 per cent by November. So far, there has been limited impact on consumer spending and demand for housing in the province – both have shown sustained, moderate increases in the second and third quarters of this year.

“We believe that the job weakness will soon run its course,” said Wright. “However, any further deterioration could have a negative affect on a number of sectors in 2012, including the housing market.”

Since the early stages of the recovery, Ontario's housing sector has been key source of growth for the provincial economy. With little pent-up demand left and affordability deteriorating to levels that are now starting to pinch homebuyers, RBC expects that residential investment in the province will stabilize or, decrease slightly in the next year.

"A stable housing market paired with the end of fiscal infrastructure spending, will work to contain the acceleration of growth in Ontario's economy next year," 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/market/pdf/provfcst.pdf](http://rbc.com/economics/market/pdf/provfcst.pdf).

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