



ONTARIO'S ECONOMY PROJECTED TO TOP PROVINCIAL GROWTH RANKINGS IN 2015: RBC ECONOMICS

TORONTO, December 12, 2014 — Ontario's economy took a step toward achieving a more convincing pace of expansion in 2014 and RBC expects that it will take another step to the top of the provincial growth rankings in 2015, according to the latest [RBC Economics Provincial Outlook](#) released today.

RBC's projects real GDP growth rates of 2.3 per cent in 2014 and 3.1 per cent in 2015, both representing upward revisions from its previous forecasts of 2.1 per cent and 2.8 per cent, respectively. These revisions, in part, reflect the net boost that RBC expects Ontario's economy will receive from substantially lower oil prices. RBC forecasts real GDP growth to moderate to 2.3 per cent in 2016, although still outpacing the forecasted national average of 2.1 per cent.

"Stronger exports, higher household spending and brisk activity in the housing sector have reinvigorated Ontario's economy since the spring of 2014 after real GDP growth slowed to a post-recession low of 1.3 per cent in 2013," said Craig Wright, senior vice-president and chief economist, RBC. "We believe that the recent turnaround in Ontario's exports is just the beginning of a powerful export-led push that will contribute to the fastest growth that the province has seen in five years in 2015."

The recovery in Ontario's exports sector finally showed greater strength in 2014. Merchandise exports rose by a solid 7.3 per cent on a nominal basis during the first 10 months of 2014 – the strongest pace since 2010 and the second strongest pace in 14 years. Exports of motor vehicles and parts rose almost eight per cent. However, RBC says it was a surge in consumer goods exports that stood out with an increase of 15 per cent. Following multi-year-long slumps, there were also encouraging gains registered by forest products (up nearly 10 per cent) and electronic and electrical equipment (up 2.5 per cent).

"External demand for Ontario's goods showed renewed vigour and generated much needed steam for the province's manufacturing sector," added Wright.

Year-to-date in 2014, manufacturing sales climbed by more than six per cent, which represents the fastest rate since 2010. Increases were broadly-based across the sector, with transportation equipment manufacturers among those who recorded more significant advances with a 7.5 per cent increase in sales.

"The upswing in Ontario's exports has a lot of runway. We expect the province's biggest export market – the U.S. economy – to expand at a 10-year high rate in 2015, and the lower value of the Canadian dollar to improve the international competitiveness of businesses in the province," said Wright. "Therefore, the elements will be in place for external demand to drive economic growth in the province in 2015 with positive ripple effects throughout the economy."

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RBC expects job creation will pick up in 2015, forecasting employment growth of 1.4 per cent, up from a five-year low of 0.8 per cent in 2014. Improving job prospects and lower gasoline prices are positive for the province's domestic economy, offering favourable conditions for further growth in household spending. However, RBC sees projects only minimal acceleration in retail sales from an already brisk pace of 4.1 per cent in 2014.

Following surprisingly solid activity in 2014, RBC expects Ontario's housing market to remain vibrant in 2015, with home resales being sustained near historical highs. RBC anticipates a slight increase in housing starts from 58,700 units in 2014 to 60,500 units in 2015.

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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