



ALBERTA TO SEE RESTRAINED ECONOMIC GROWTH IN 2010, SAYS RBC ECONOMICS

Provincial economy should be firing on all cylinders by 2011

TORONTO, December 14, 2009 — A recovery is slowly but surely taking shape in Alberta, after a deep recession that has weighed down the provincial economy, according to a new RBC Economics report.

“The good news is that the recovery is indeed expected to reach Alberta in 2010. The bad news is that it appears to be taking longer to arrive than in many other areas of the country,” noted Craig Wright, senior vice-president and chief economist, RBC. “We anticipate that the Alberta economy will start 2010 slowly which will restrain overall annual growth before steadily improving.”

RBC Economics has revised its real GDP forecast for 2009 down to -3.4 per cent from -2.8 per cent projected in the September *Economic Outlook*, which was the second sharpest contraction among provinces, after Newfoundland and Labrador. Though economic activity is starting to rebound, the pace is slower than anticipated. Growth in 2010 has been revised down to 2.4 per cent, compared to the previous forecast of 3.0 per cent. The provincial economy should be firing on all cylinders by 2011, when economic growth is forecast to accelerate to a strong 4.4 per cent.

Recent signs of a turnaround have emerged in the oilsands, due to rising oil prices and plans to boost spending on new projects in the upcoming year. Residential construction is also expected to increase, as the resale housing market has greatly recovered and the earlier glut of homes on the market has largely disappeared. As of late-2009, there is still little evidence of a meaningful recovery taking place in the job market, but that could gradually turn around as the economic recovery gains traction.

The main theme of the *RBC Economics Provincial Outlook* is that a mild economic recovery is expected to be widespread among provinces in 2010, after a significant contraction spread across the country in 2009 (with only Manitoba and Nova Scotia barely avoiding a decline in activity). The full force of fiscal and monetary

stimulus should positively contribute to growth in 2010. The price tag for that stimulus however, will be huge budget deficits. While such deficits might cause some discomfort, the alternative was even less attractive given the severity of the economic downturn. Returning to balance over the medium-term will be a challenge involving difficult choices. Provincial economies are expected to be in solid growth territory in 2011, with the Prairie provinces – led by Saskatchewan –benefiting from strengthening commodity prices and hitting higher growth rates than the 3.9 per cent national average.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

The full report and provincial details are available online as of 8 a.m. EST today www.rbc.com/economics/market/pdf/provfcst.pdf.

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