



QUEBEC ECONOMY TO SEE MILD RECOVERY IN 2010, SAYS RBC ECONOMICS

Economic growth expected to surge ahead in 2011

TORONTO, December 14, 2009 — The delayed effects of the recession are weighing down Quebec's economy and will likely weaken the province's momentum in 2010, according to the latest RBC Economic Outlook.

"The impact of the recession was delayed in Quebec, with less damage than elsewhere in the country, although the province's economic recovery may be slowed in 2010," explained Craig Wright, senior vice-president and chief economist, RBC. "As the recovery gathers strength in the coming year, we are forecasting this will lead to a much faster growth rate for Quebec in 2011."

According to the report, hard-hit sectors of other provinces are showing signs of emerging from cyclical lows, but the economic downturn is still exerting downward pressure on key industrial sectors in Quebec. Problems in the global airlines industry led to a decline in aircraft orders and a drop in aerospace production rates in the province, which will weigh down exports in the year ahead.

Public infrastructure spending is expected to fuel activity in Quebec's economy in 2010 but this impact will start to diminish. Fiscal stimulus through the five-year Quebec Infrastructures Plan is expected to decline by more than 5 per cent during the 2010-11 fiscal year, following a surge of more than 8 per cent in 2009-10.

"This plan provided a much-needed buffer against the recession in 2009. Its absence is not expected to throw Quebec's economy off course as business capital spending should increase and pick up the slack." added Wright.

RBC is forecasting that real GDP growth in Quebec will be 2.2 per cent, unchanged from the September *Outlook* – one of the slowest rates among the provinces. However, this follows a better-than-average performance in 2009, projected to decline only 1.6 per cent compared to a 2.5 per cent decline for Canada as a whole. For 2011, RBC is forecasting a much faster growth rate of 3.7 per cent, which would represent the Quebec economy's best performance since 2000.

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 avoiding it). 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 most western provinces – led by Saskatchewan – hitting higher growth rates than the 3.9 per cent national average. The exception will be B.C., which will be experiencing some post-Olympics challenges.

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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