



# NEWS

## **ALBERTA ECONOMIC GROWTH STILL THE ENVY OF OTHER PROVINCES, SAYS RBC**

**TORONTO, January 11, 2008** — According to the latest provincial forecast released today by RBC, Alberta's economic growth should remain well above the national average, sitting at 3.9 per cent for 2008.

"Alberta's economy is still among the best in the country," said Craig Wright, senior vice-president and chief economist, RBC. "However, while housing markets, consumer spending, fiscal surpluses and capital spending remain elevated, Alberta's economic growth is past its peak though high oil prices should help cushion the negative economic impacts during the year."

Higher oil sands royalties have eaten into capital spending plans and job creation levels, but RBC notes this deterioration would have happened regardless of the higher royalties, given ballooning project costs over recent years. Even at reduced levels, Alberta's capital spending plans remain higher than other parts of Canada.

Fiscal surpluses were a positive surprise last year, largely due to higher income tax revenues and oil prices. Natural gas royalties still account for roughly 50 per cent of resource revenue and prices and royalties remain below 2005 peak levels. As well, weaker gas prices and rising costs have sharply driven down drilling activity.

The report also noted that extremely stressed affordability conditions have priced many prospective homeowners out of the market and this will sharply cool construction activity in 2008. The pace of house price gains has cooled significantly and sales-to-new listings ratios have sharply receded, especially in Edmonton. Nonetheless, consumer spending has been well-supported by strong wage growth. While the key supports remain intact, consumer spending should slow as income growth moderates alongside overall weaker economic growth.

Across Canada, Alberta leads all provinces with above-average economic growth, followed by Saskatchewan and Nova Scotia. On the opposite end of the scale, and showing a complete turnabout with its mega-projects now in maturation, Newfoundland and Labrador is posting the slowest economic growth rate of 0.5 per cent, and on its heels is P.E.I., as well as Quebec and Ontario with its manufacturing woes.

However, a more bullish outlook is in store by the end of this decade for Newfoundland and Labrador, New Brunswick, Nova Scotia and, in particular, Saskatchewan, where there is a possibility for a triple play of diamond mining, rich uranium deposits and a massive oil strike in the southeastern part of the province.

The RBC Economics *Provincial Outlook* assesses the provinces according to economic growth, employment growth, unemployment rates, personal income growth, retail sales, housing starts, and the Consumer Price Index.

According to the report (available online as of 8 a.m. E.S.T., at [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf)), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			CPI		
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09
	Thousands														
NFLD.	9.0	0.5	1.0	2.5	2.2	1.9	10.0	6.0	2.0	0.7	0.1	0.3	1.5	1.0	1.2
P.E.I.	1.9	1.2	1.4	0.7	0.6	0.5	9.1	4.5	3.7	1.3	0.4	0.2	1.8	1.3	1.6
N.S.	2.4	3.0	3.5	4.8	4.5	4.1	4.4	4.9	6.5	1.3	1.8	2.0	1.9	1.1	2.0
N.B.	2.5	2.5	2.6	4.1	3.8	3.4	6.7	4.5	4.0	1.9	1.7	0.9	2.0	1.2	1.6
QUE.	1.9	1.7	2.5	49.4	46.9	40.4	4.4	4.0	4.1	2.2	1.2	0.9	1.6	1.1	1.6
ONT.	1.7	1.4	2.6	68.1	66.2	60.2	3.9	3.5	4.7	1.6	1.0	1.1	1.9	1.0	1.7
MAN.	3.4	3.1	2.5	5.7	5.7	5.0	9.0	5.3	3.4	1.5	1.2	1.5	2.2	1.7	1.6
SASK.	4.6	3.8	3.3	5.9	6.1	4.5	12.2	8.5	6.5	2.3	1.6	0.8	3.0	2.4	2.4
ALTA.	4.3	3.9	3.2	48.3	38.6	35.2	9.7	9.0	8.2	4.8	2.0	1.8	5.1	2.9	2.6
B.C.	3.0	2.5	3.0	38.6	35.2	28.5	7.1	6.0	7.5	3.2	1.9	2.6	1.8	1.4	2.2
CANADA	2.6	2.1	2.7	228	210	184	5.9	5.1	5.5	2.3	1.3	1.4	2.1	1.4	1.9

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