



NEWS

ONTARIO'S ECONOMY CONTINUES TO STRUGGLE BUT SOME RELIEF IN SIGHT, SAYS RBC

TORONTO, July 3, 2008 — According to the latest provincial forecast released today by RBC, a downbeat scenario continues to unfold in Ontario, with economic growth expected to hover around 0.7 per cent for 2008, the weakest pace of expansion for the province since the last recession in the early 1990s.

“The unexpected decline in the national economy in the first quarter of this year was most likely the result of a notable contraction in activity within Ontario’s trade sector,” said Craig Wright, senior vice-president and chief economist, RBC. “The province’s exports were pounded by the high Canadian dollar and downturn in the U.S. economy, as well as poor weather conditions and a strike at a major U.S. motor vehicle parts manufacturer that disrupted auto production here.”

Ontario’s manufacturing sector will continue to see international sales hindered in 2008 as a result of the high dollar and sluggish U.S. economy. Little improvement is foreseen for the province’s important auto sector amid plummeting motor vehicle sales in the U.S. and ongoing restructuring of the “Big 3” North American producers. However a projected weakening in the Canadian dollar and reacceleration of growth in the U.S. economy should bring Ontario’s exporters some relief by the end of this year and in 2009.

The rest of the province’s domestic economy is far more encouraging, the report noted. Residential construction is holding up better than expected and growth in consumer spending continues to be supported by a robust labour market. Despite heavy losses of manufacturing jobs, Ontario continues to see steady employment growth overall, thus keeping the unemployment rate near a seven-year low. “The domestic economy remains in relatively good shape and should allow Ontario’s economic growth to stay in positive territory,” noted Wright.

The main theme of the Provincial Outlook continues to be the different paths the Eastern and Western parts of the country are taking. Record-high commodity prices and strong global demand for resources sustain unprecedented prosperity in the Western provinces, while the strong Canadian dollar, downturn in the U.S. economy and high energy prices continue to cause hardship in key sectors in provinces east of Manitoba. Saskatchewan is projected to lead all of the provinces in economic growth for both 2008 and 2009, followed by Alberta, while Newfoundland and Labrador and Ontario are expected to lag the group this year, but should show some improvement next year.

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.D.T., at 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	Thousands			07	08	09	07	08	09	07	08	09
NFLD.	9.1	0.2	1.3	2.6	2.6	2.0	8.9	6.0	2.0	0.6	2.0	0.5	1.5	2.5	1.4
P.E.I.	2.0	1.2	1.6	0.8	0.7	0.6	7.7	4.5	3.7	1.0	1.3	0.3	1.8	3.2	1.5
N.S.	1.6	2.0	2.4	4.8	4.7	4.0	4.2	5.5	4.5	1.3	1.0	1.9	1.9	3.0	1.6
N.B.	1.6	2.0	2.5	4.2	4.2	3.4	5.7	4.6	4.0	2.1	1.6	1.0	1.9	1.8	1.5
QUE.	2.4	1.0	2.3	48.6	47.1	40.0	4.6	4.3	4.4	2.3	1.4	1.3	1.6	2.2	1.4
ONT.	2.1	0.7	2.2	68.1	68.7	59.3	3.9	4.4	4.5	1.6	1.5	1.3	1.8	2.0	1.5
MAN.	3.3	2.7	2.7	5.7	5.9	4.5	8.8	8.5	7.0	1.6	2.1	1.7	2.0	2.0	1.5
SASK.	2.8	3.7	3.8	6.0	6.6	4.5	13.0	12.0	11.0	2.1	2.4	2.3	2.8	3.4	2.6
ALTA.	3.3	3.1	3.0	48.3	38.3	35.1	9.3	4.5	7.0	4.7	3.0	2.1	5.0	3.3	2.5
B.C.	3.1	2.2	2.9	39.2	37.2	30.5	6.7	4.5	7.5	3.2	2.6	2.5	1.8	2.0	1.5
CANADA	2.7	1.4	2.5	228	216	184	5.8	5.2	5.6	2.3	1.9	1.6	2.1	2.3	1.6

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