



NEWS

PRINCE EDWARD ISLAND'S ECONOMY SHOWING RESILIENCE AGAINST TURBULENT NORTH AMERICAN MARKET, SAYS RBC ECONOMICS

TORONTO, October 8, 2008 — Despite a high Canadian dollar, surging gasoline prices and growing anxiety felt by U.S. households dampening travel to PEI and slowing tourism, the province's economy has maintained a decent pace, according to the latest provincial forecast released today by RBC. The growth rate for Prince Edward Island's economy is projected at 1.9 per cent for 2008 and at a slower 1.4 per cent in 2009, as home resale activity, job creation and tourism cool.

“A large inflow of new residents and strong spending on infrastructure have helped PEI keep a respectable pace of growth,” said Craig Wright, senior vice-president and chief economist, RBC. “Provincial and federal tax cuts along with an unemployment rate that is hovering around a 30-year low, have strengthened consumer sentiment and spending, reflected by higher retail sales so far this year.”

Nonetheless, the report suggests the momentum in PEI's economy is likely to slow in the period ahead. Job creation has already moderated since the spring and home resale activity is past its cyclical peak. Home building is also expected to enter a consolidation phase, as the large inflow of new residents runs its course and demand for new housing declines.

The outlook for provinces has generally darkened as a result of the recent dramatic turn in the year-long financial market crisis. The U.S. economy now appears to be in recession with Europe, the U.K. and Japan also sinking fast. While Canada is in better position with its financial sector less heavily impaired, overall growth will be substantially weaker than previously anticipated.

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Among the provinces, Saskatchewan will lead the way this year and next in terms of economic growth, with Manitoba closely behind. The Atlantic region is expected to display continued resilience and should sustain a moderate pace of expansion for the most part. Conditions in the most western part of the country are on a deteriorating path. Eroding housing situations and rapidly slowing growth in consumer spending have prompted downward revisions to the forecasts for British Columbia and Alberta. With weak external trade continuing to exert a toll, cracks have appeared in the domestic foundations of Ontario and Quebec. Ontario will likely see its growth evaporate.

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		
	<u>07</u>	<u>08</u>	<u>09</u>	Thousands						<u>07</u>	<u>08</u>	<u>09</u>	<u>07</u>	<u>08</u>	<u>09</u>
NFLD.	9.1	0.2	1.3	2.6	2.8	3.0	9.0	8.0	4.0	0.7	2.0	0.6	1.4	3.1	2.1
P.E.I.	2.0	1.9	1.4	0.8	0.7	0.5	7.7	5.5	3.5	1.1	1.7	0.5	1.8	3.8	2.4
N.S.	1.6	2.0	2.0	4.8	4.2	3.2	4.2	5.5	4.0	1.3	1.1	0.9	1.9	3.6	2.3
N.B.	1.6	2.0	2.5	4.2	4.1	3.3	5.7	5.5	4.0	2.1	0.9	0.9	1.9	2.2	2.1
QUE.	2.4	0.7	1.2	48.6	45.7	39.0	4.6	5.5	3.5	2.3	0.8	1.1	1.6	2.5	2.0
ONT.	2.1	0.0	0.4	68.1	75.0	66.5	3.9	5.0	2.8	1.6	1.5	1.2	1.8	2.6	2.0
MAN.	3.3	3.1	2.3	5.7	5.4	5.4	8.8	8.0	5.5	1.6	1.8	1.5	2.1	2.5	2.6
SASK.	2.8	3.9	3.5	6.0	6.8	5.3	13.0	12.0	7.5	2.1	1.6	2.0	2.9	3.4	2.7
ALTA.	3.3	2.2	3.0	48.3	30.2	31.3	9.3	1.5	6.5	4.7	2.6	2.1	4.9	3.7	2.9
B.C.	3.1	1.2	2.1	39.2	34.8	26.0	6.7	3.0	6.5	3.2	2.4	1.4	1.7	2.5	2.0
CANADA	2.7	0.9	1.5	228	209	183	5.8	4.7	4.3	2.3	1.6	1.3	2.1	2.7	2.2

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