



NEWS

QUEBEC'S ECONOMY STAYING ABOVE WATER, SAYS RBC

TORONTO, October 8, 2008 — Steering just clear of a recession in the first half of this year, Quebec's economic growth is projected to strengthen from an anemic 0.7 per cent in 2008 to 1.4 per cent in 2009, according to the latest provincial economic forecast released today by RBC.

“Strong spending by consumers and governments have saved the day so far in 2008, offsetting weakness in net exports, forest products, large parts of the manufacturing sector and residential construction,” said Craig Wright, senior vice-president and chief economist, RBC. “However, concerns about Quebec's softening economy will likely persist in the near term, as both the external and domestic sides face challenges.”

With rough waters rocking the U.S. and Ontario economies, Quebec's external trade will show little improvement. Waning job creation and rising unemployment will erode Quebec's consumer confidence and as a result cool consumer spending, housing activity and residential construction. In short, the pace of overall activity will slow to a crawl, noted Wright.

Nonetheless, steady increases in machinery and equipment investment, and the continued boom in capital investment projects in the public sector are expected to drive moderate economic growth in Quebec.

The report noted that Quebec's economic growth should rebound modestly in 2009. While the province's picture is unlikely to change much from the latter part of 2008, some amelioration is expected on the external side later next year, as U.S. demand begins to recover and a gradual depreciation of the Canadian dollar help stabilize Quebec exports and alleviate some of the drag on the province's economy.

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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.

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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