



BRITISH COLUMBIA'S WEAKENED TRADE SECTOR SLOWS ECONOMIC GROWTH, SAYS RBC

TORONTO, December 19, 2008 — British Columbia's domestic economy is beginning to feel the weight of its weakened external trade sector, with growth slowing to 0.8 per cent in 2008 and 0.6 per cent in 2009, according to a provincial economic outlook released today by RBC.

“British Columbia's slumping trade sector continues to be a significant drag on provincial growth and now appears to be putting downward pressure on the domestic economy, unsettling the labour market, housing sector and consumer spending,” said Craig Wright, senior vice-president and chief economist, RBC. “Despite these challenges, B.C. remains above the national average and the economy should get a meaningful boost when the world gathers in Vancouver for the 2010 Olympic and Paralympic Winter Games.”

According to the report, B.C.'s external trade sector is unlikely to improve through 2009, as the U.S. economy wrestles with a recession in the early part of the year. While a lower Canadian dollar will bring some relief, it will not be sufficient to completely offset the weakness in U.S. demand. B.C.'s job market is expected to remain essentially flat, with employment projected to grow marginally by just 0.2 per cent in 2009 – the weakest performance since 2001 – while eroding consumer confidence hits key housing markets in the province.

Despite the challenges facing B.C.'s economy, there are some bright spots – namely, continued heavy capital spending to develop major natural gas deposits in the Northeastern part of the province and on infrastructure projects related to the 2010 Winter Games.

The main theme of the RBC Provincial Outlook is that economic performance is expected to be weaker from coast to coast due to the widespread negative implications of the financial market crisis and the global economic downturn. Ontario is expected to be worst hit with the province's economy contracting in both 2008 and 2009, for the first time since 1990-91. While growth will slow for all provinces, the economies of Saskatchewan and Manitoba will continue to lead during 2009.

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), provincial forecast details are as follows:

| | Real GDP | | | Housing starts | | | Retail sales | | | Employment | | | Unemployment rate | | |
|--------|--------------|------|-----|----------------|------|------|--------------|-----|-----|--------------|------|-----|-------------------|------|------|
| | Y/Y % Change | | | Thousands | | | Y/Y % Change | | | Y/Y % Change | | | % | | |
| | 08 | 09 | 10 | 08 | 09 | 10 | 08 | 09 | 10 | 08 | 09 | 10 | 08 | 09 | 10 |
| N.& L. | 0.0 | -0.5 | 3.0 | 3.0 | 2.9 | 3.0 | 8.6 | 3.5 | 3.9 | 1.6 | -0.2 | 1.2 | 13.2 | 13.2 | 13.1 |
| P.E.I. | 1.5 | 0.5 | 2.0 | 0.7 | 0.6 | 0.7 | 5.9 | 3.0 | 3.7 | 1.4 | -0.4 | 1.3 | 10.6 | 10.7 | 10.8 |
| N.S. | 1.2 | 0.8 | 2.5 | 4.4 | 3.2 | 3.5 | 6.0 | 3.5 | 3.9 | 1.3 | 0.1 | 1.4 | 7.7 | 8.5 | 8.5 |
| N.B. | 1.6 | 1.2 | 2.7 | 4.5 | 3.3 | 3.5 | 5.8 | 3.3 | 4.0 | 0.9 | 0.3 | 1.4 | 8.6 | 9.4 | 9.5 |
| QUE. | 0.6 | 0.0 | 2.3 | 47.3 | 35.0 | 37.0 | 6.0 | 3.1 | 4.5 | 0.8 | -0.1 | 1.2 | 7.3 | 8.1 | 8.2 |
| ONT. | -0.2 | -1.4 | 2.5 | 75.5 | 64.3 | 67.0 | 5.1 | 2.3 | 4.3 | 1.5 | -0.9 | 1.1 | 6.5 | 8.3 | 8.4 |
| MAN. | 2.5 | 1.9 | 2.8 | 5.7 | 5.2 | 5.3 | 7.7 | 3.4 | 5.1 | 1.7 | 0.8 | 1.7 | 4.1 | 4.8 | 5.1 |
| SASK. | 3.5 | 2.8 | 2.4 | 6.9 | 4.6 | 3.7 | 11.1 | 5.4 | 4.9 | 2.1 | 1.5 | 1.4 | 4.1 | 4.6 | 4.9 |
| ALTA. | 1.5 | 2.1 | 2.9 | 29.9 | 24.0 | 28.5 | 1.1 | 2.8 | 5.6 | 2.8 | 1.0 | 1.7 | 3.5 | 4.6 | 5.0 |
| B.C. | 0.8 | 0.6 | 3.5 | 35.0 | 23.5 | 26.0 | 2.2 | 3.0 | 6.8 | 2.2 | 0.2 | 2.5 | 4.5 | 5.6 | 5.4 |
| CANADA | 0.6 | 0.0 | 2.7 | 213 | 166 | 178 | 4.7 | 2.9 | 4.9 | 1.6 | -0.1 | 1.4 | 6.1 | 7.3 | 7.4 |

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