



RBC SAYS MANITOBA'S ECONOMY REMAINS STRONG DESPITE RECENT DROP IN COMMODITY PRICES

TORONTO, December 19, 2008 — With the global financial and economic crisis weighing heavily on commodity prices, Manitoba's economic growth forecast has been downgraded to 2.5 per cent for 2008 and 1.9 per cent for 2009, according to the latest report released today by RBC Economics.

“After reaching cyclical peaks earlier this year, the sharp decline in commodity prices will contribute to the weakening economy for the rest of 2008 and most of 2009,” said Craig Wright, senior vice-president and chief economist, RBC. “Nonetheless, Manitoba is still expected to remain a top-tier economic performer among the provinces.”

In 2008, a significant run-up in grains and base metal prices until mid-year helped boost incomes in the province, which supported solid gains in retail sales and kept home builders busy. In contrast to the rest of the country, housing starts in Manitoba have shown no signs of letting up, with the 2008 tally expected to match the previous year's level of 5,700 units.

The RBC report noted that an equally important factor weighing on the economy in the coming year will be slower capital expenditures as a number of major projects will be completed by the end of 2008. However, the provincial government is tempering the slowdown by announcing a four-year, \$4.7-billion infrastructure program. As well, other new projects might also see some spending, including two run by Manitoba Hydro – the Riel converter station and the Wuskwatim generation project – as well as the \$138-million rapid transit corridor in Winnipeg.

A relatively low Canadian dollar and strong demand for transportation equipment and parts produced in the province should set the stage for a recovery in Manitoba's manufacturing sector. With a lengthy order book, Boeing's 787 Dreamliner will bolster production at the company's Winnipeg plant once near-term delays have been resolved. This manufacturing recovery is likely to continue into 2010 and contribute to boosting real GDP growth to 2.8 per cent for that year.

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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