



## RBC SAYS ONTARIO'S ECONOMY SLIPPING INTO A RECESSION

**TORONTO, December 19, 2008** — Hopes of escaping the recession are disappearing fast in Ontario. The province's economy is now forecast to contract by 0.2 per cent in 2008 and a further 1.4 per cent in 2009, which would represent the worst economic performance since the early 1990s recession, according to the latest report released today by RBC Economics.

"Downside risks will remain significant in the face of uncertainty surrounding the auto industry," said Craig Wright, senior vice-president and chief economist, RBC. "While we are assuming further declines in motor vehicle production, the outcome of the drama surrounding the 'Detroit Three' automakers is unknown and could have more serious repercussions. Ontario is among the North American jurisdictions with the most at stake in the rescue negotiations."

The report noted that strength in the domestic economy is diminishing as consumer and business sentiment sours. Ontario is no longer finding an offset to the drag from the external trade sector that is being exacerbated by worsening conditions south of the border.

Job prospects in the province are also quickly deteriorating; however the record 66,000 job losses reported in November likely exaggerates the weakness. The RBC report shows a decline in employment in the province is expected for 2009 – the first time since 1992. The unemployment rate is forecast to climb to an average of 8.3 per cent. As concerns about the economy and job prospects mount, retail sales and demand for housing will slow further.

In 2010, Ontario should benefit from strengthening U.S. demand as forceful fiscal and monetary stimulus hopefully succeeds in moving the U.S. economy onto a recovery course. Similar factors will also boost demand on this side of the border and contribute to returning Ontario's real GDP into positive growth territory, forecast at 2.5 per cent for 2010.

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](http://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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