



RBC SAYS ALBERTA'S ECONOMY IS IN A SLUMP

TORONTO, March 12, 2009 — According to the latest provincial forecast released today by RBC, Alberta's economic activity is forecast to decline by 2.3 per cent in 2009, the sharpest drop among the provinces.

"There is no clearer sign that Alberta's economy has taken a significant turn for the worse than a provincial government deficit," said Craig Wright, senior vice-president and chief economist, RBC. "Currently pegged at \$1.4 billion for the fiscal year ending in March, the deficit largely reflects losses in the Heritage and other endowment funds but is also symptomatic of poorer near-term economic fundamentals."

The report noted that the precipitous slide in oil and gas prices since reaching historic highs last summer, has radically changed the outlook for energy revenues for 2009. Capital investment plans have been scaled back significantly, including drilling for new wells and developing megaprojects related to the oilsands. According to a recent survey by Statistics Canada, non-residential capital spending is set to plummet by more than 15 per cent this year, the biggest cutback among the provinces and the first for Alberta since 1999.

The combination of unsettling downturn effects in the oil and gas sector and generally weak economic conditions will weigh heavily on Alberta consumers. Retail spending is expected to decline and demand for housing will continue to soften in 2009. While lower house prices will help restore affordability, new home buyers will remain hesitant until this economic uncertainty dissipates. Housing construction is expected to gear down considerably, with housing starts dropping to a 13-year low in the province.

"Losing the thrust that the building sector and strong resource revenues brought to the province's economy in recent years will prove hard to overcome for Alberta, which is now facing its first contraction since 1986," said Wright.

However, as the global economy begins to recover later this year and re-energizes demand and prices for energy, conditions in Alberta should improve, helping the economy return to a positive growth track in 2010.

The worsening of global conditions and weaker near-term prospects for the Canadian economy will dampen activity from coast to coast in 2009. All provinces but Saskatchewan, Manitoba and Nova Scotia are forecast to contract this year, a testament to the generalized nature of the ongoing recession. The three exceptions will show much slower rates of expansion than in 2008. Alberta, British Columbia, Ontario and Newfoundland & Labrador are expected to experience the largest declines, while the downturn in Quebec, New Brunswick and Prince Edward Island will be relatively mild.

The RBC Economics Provincial Outlook assesses the provinces according to their projected growth in real GDP, employment, and retail sales, as well as their unemployment rates and housing starts.

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			Unemployment rate		
	Y/Y % Change			Thousands			Y/Y % Change			Y/Y % Change			%		
	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>
N.&L.	1.3	-1.2	3.0	3.2	3.3	3.0	7.7	-1.1	4.5	1.5	-1.5	1.2	13.2	14.0	14.2
P.E.I.	1.5	-0.8	2.0	0.7	0.6	0.7	4.8	-1.4	4.1	1.3	-2.3	0.9	10.7	12.2	12.2
N.S.	1.2	0.4	2.5	4.3	3.2	3.5	4.5	-1.1	4.9	1.2	0.0	1.0	7.7	8.9	9.1
N.B.	1.6	-0.6	2.7	4.2	3.3	3.5	4.9	-1.5	4.0	0.9	-0.3	0.6	8.6	9.8	10.0
QUE.	0.8	-0.5	2.3	47.9	36.0	37.0	4.9	-1.3	5.1	0.8	-1.0	1.2	7.2	8.4	8.5
ONT.	-0.2	-1.9	2.4	75.6	58.0	65.0	3.3	-2.7	4.8	1.4	-1.9	1.3	6.5	8.6	8.7
MAN.	2.7	0.5	2.8	5.6	4.6	5.3	7.1	0.4	5.6	1.7	0.2	1.5	4.1	5.0	5.3
SASK.	3.4	0.9	2.4	6.8	4.4	3.7	10.4	0.8	6.1	2.2	1.4	1.2	4.1	4.5	4.8
ALTA.	1.2	-2.3	2.7	29.0	22.3	28.0	-0.2	-2.9	5.4	2.7	-0.6	1.4	3.6	5.7	5.9
B.C.	0.6	-1.5	2.9	34.3	19.4	23.0	0.2	-3.9	6.0	2.1	-1.9	2.2	4.6	6.8	6.8
CANADA	0.5	-1.4	2.6	211	155	173	3.2	-2.2	5.2	1.5	-1.3	1.4	6.1	7.8	8.0

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