



ONTARIO'S ECONOMY CONTINUES ITS RECESSION BATTLE, SAYS RBC

TORONTO, March 12, 2009 — With both its external and domestic sectors under siege, Ontario's economy is expected to contract by 1.5 per cent in 2009, the second biggest drop among the provinces, but should fight back in 2010 with growth rebounding to 2.4 per cent, according to the latest provincial forecast released today by RBC.

"First bitten by the severe slump in the U.S. market, Ontario's economy has been battling recessionary conditions since last year," said Craig Wright, senior vice-president and chief economist, RBC. "Losses by the province's exporters – including manufacturers of motor vehicles and parts – have accumulated and weigh significantly on overall performance."

Since the end of last summer, the recession virus has spread inwards to strike at the core of the province's domestic activity – consumer spending and housing. Worried about the deteriorating economy and mounting job losses, Ontario consumers have exited shopping malls and shelved plans to buy homes. Retail sales fell in each of the last five months of 2008 and continue downward in 2009. Housing resale activity has plummeted since the fall, reaching a 10-year low in February.

The manufacturing sector continues to hemorrhage as plant closures and job losses mount at a frightening speed. The report stated that the fate of the motor vehicle industry remains very much in question, at least in its current form. Despite the billions of dollars in financial assistance committed by the U.S., Canadian and Ontario governments to the Detroit Three, there remains ongoing concerns about the viability of these firms. Profound changes to the North American auto industry would have significant repercussions for the large base of parts suppliers operating in the province. Any derailment of the proposed recovery plans put forward would pose a serious downside risk to Ontario's economy, noted Wright.

Further job declines in the manufacturing sector will no longer be offset by gains in the services industry, as total employment is expected to drop for the first time in 17 years, by 1.9 per cent. Already surging higher, the province's unemployment rate is anticipated to reach a 13-year high of 8.6 per cent in 2009.

This past fall, the Ontario government announced a deficit of \$500 million for the fiscal year ending in March 2009. In more recent comments, provincial Finance Minister Dwight Duncan indicated that a cumulative shortfall of around \$18 billion is more likely during the next two fiscal years. In the upcoming provincial budget, hefty measures to stimulate the economy will be announced, including funds for infrastructure building to match the federal program presented in its January budget. Fiscal stimulus should help to contain the recession in Ontario and set the stage for recovery in 2010, which will also find much support from continued low interest rates and an anticipated pick up in the U.S. economy.

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			%		
	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10
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

For more information, please contact:

Craig Wright, RBC Economics Research, (416) 974-7457
 Robert Hogue, RBC Economics Research, (416) 974-6192
 Jackie Braden, RBC Media Relations, (416) 974-2124