



ALBERTA ECONOMY DRAGGED DOWN BY DECLINES IN CAPITAL SPENDING, SAYS RBC REPORT

TORONTO, June 15, 2009 — Sharply scaled-back spending on construction projects is contributing to Alberta's steepest economic decline in 17 years, with the province's real GDP forecast to contract by 2.5 per cent in 2009, according to the latest report from RBC Economics.

"The plunge in energy prices from peak levels last year and elevated construction costs have thrown several capital projects off course in Alberta since last summer," said Craig Wright, senior vice-president and chief economist, RBC. "Business capital investment has slowed considerably and weaker investment will weigh heavily on Alberta's economic performance this year."

In the all-important oil sands sector, more than half of the \$130 billion in proposed projects was on hold as of the end of April. The most recent provincial budget calls for capital expenditures in that sector this year to be cut by half, compared to 2008. As well, the government has opted to hold the line on stimulus spending.

The RBC report notes that the province's severe slump is taking its toll on jobs as well. The unemployment rate in Alberta – which for five years had been the lowest in the country – spiked upward to a 12-year high of 6.6 per cent. New Employment Insurance claims experienced the steepest increase in the country, surging 145 per cent above last year's levels.

The economic downturn also has hit the housing sector hard, with housing starts down 65 per cent year-over-year, in the first five months of the year. RBC forecasts that, for 2009, housing starts will fall to 16,700 units, the lowest level in eight years.

In the first quarter, retail sales plummeted by more than 10 per cent year-over-year, reflecting the soured mood of Alberta consumers in the face of the economic downturn and deteriorating job market. The RBC report anticipates that, while consumer spending will start to improve gradually through the latter part of 2009, it will have a dampening effect for the year overall.

RBC foresees a turnaround in Alberta's economy in 2010, with real GDP bouncing back to a 2.9 per cent growth rate, bolstered by increased construction activity expected to arise from new megaprojects moving ahead and the resumption of work on currently idled projects. Oil prices are projected to be maintained at \$65 (US) per barrel.

The main theme of the RBC Provincial Outlook is that tremendous weakness, late last year and early this year, has prompted a downward revision to real GDP growth forecasts across the board for 2009. Recent developments lend support to RBC's view that a general recovery will be established by the second half of 2009 and sustained in 2010. In 2009, expectations are that the economies of only three provinces – Saskatchewan, Manitoba and Nova Scotia – will grow, while all other provincial economies will contract. Ontario (deep troubles in the auto sector) and Newfoundland and Labrador (sharp drop in mineral and oil production) are taking the biggest hits, with Alberta (cutbacks in business and residential investment) being the other province showing above-average decline in activity. However, RBC continues to project that growth will return to all provinces next year.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

According to the report (available online as of 8 a.m. EDT today, 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.	-0.1	-3.5	3.0	3.2	3.2	3.0	7.6	0.1	4.8	1.5	-2.6	1.1	13.2	14.7	14.8
P.E.I.	0.9	-1.8	2.0	0.7	0.5	0.7	5.6	-1.3	4.1	1.3	-2.3	1.0	10.7	12.5	12.6
N.S.	2.0	0.2	2.5	4.3	3.2	3.5	4.2	-2.8	4.5	1.2	-0.4	1.0	7.7	9.3	9.6
N.B.	0.0	-0.5	2.7	4.2	3.5	3.5	5.9	-2.2	4.1	0.9	-0.5	0.6	8.6	9.5	10.3
QUE.	1.0	-1.6	2.3	47.9	38.9	37.0	5.1	-1.5	4.5	0.8	-1.0	1.1	7.2	8.8	9.4
ONT.	-0.4	-3.4	2.2	75.6	52.7	65.0	3.5	-3.0	4.2	1.4	-2.6	1.0	6.5	9.3	9.9
MAN.	2.4	0.5	2.8	5.6	3.9	5.3	7.2	-2.6	5.4	1.7	-0.1	1.3	4.1	5.1	5.6
SASK.	4.4	0.7	2.8	6.8	3.3	3.7	10.6	-1.9	5.8	2.2	1.5	1.2	4.1	5.2	5.7
ALTA.	-0.2	-2.5	2.9	29.0	16.7	28.0	-0.1	-7.8	5.7	2.7	-1.0	1.4	3.6	6.4	6.7
B.C.	-0.3	-1.9	2.9	34.3	14.7	23.0	0.3	-6.5	5.9	2.1	-2.5	2.1	4.6	7.8	7.8
CANADA	0.4	-2.4	2.5	211	141	173	3.4	-3.7	4.8	1.5	-1.7	1.3	6.1	8.5	9.0

For more information, please contact:

Craig Wright, RBC Economics Research, (416) 974-7457

Robert Hogue, RBC Economics Research, (416) 974-6192

Stephanie Lu, RBC Media Relations, (416) 974-5506