



B.C. STRUGGLING AGAINST RECESSION, SAYS RBC

Weakness widely felt across the province

TORONTO, June 15, 2009 — The weakness in British Columbia's economy has spread and accelerated in recent months, pointing to an overall decline of 1.9 per cent in provincial real GDP for 2009, according to the latest provincial forecast released today by RBC. However, with the worst of the recession likely passed, B.C.'s economic future is looking brighter, and 2010 should show a rebound to a 2.9 per cent growth.

"British Columbia's economic performance has deteriorated significantly since the middle of last year," said Craig Wright, senior vice-president and chief economist, RBC. "Weakness has spread beyond the long-suffering forestry sector into mining, construction and manufacturing. The service sector has not been spared either, as transportation and retail trade also have staggered."

With little hope of a meaningful rebound in U.S. housing construction in the near term, the report expects that B.C.'s forest products sector will remain focused on rationalizing production capacity. This will continue to weigh on exports, employment and private capital spending. The mining sector will fare little better, with weaker coal prices and waning demand prompting cuts in output.

The RBC report also points out that the provincial housing sector is still in a fragile state. Housing starts are forecast to drop by 57 per cent in 2009 to a total of 14,700 units, the lowest tally since 2000. Significant job losses and surging unemployment since September mean consumers will be hard-pressed to step up spending until their economic prospects improve later this year.

"Consumers have gone into hiding over the past several months, shunning major expenditures such as automobiles, home furnishings and costs related to home renovations – this has contributed to significantly lower retail sales," noted Wright.

The report anticipates that the substantial ramp up in public infrastructure spending – slated to jump by 15 per cent in this fiscal year – will help to partly offset the weakness in the rest of the economy. This will also help set the stage for a return to overall growth next year, which will be further fueled by an expected recovery in commodity markets and higher tourism activity arising from the 2010 Olympic and Paralympic Winter Games.

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