



ONTARIO'S ECONOMY REGAINS MOMENTUM: RBC ECONOMICS

Province expected to post fastest annual growth in a decade

TORONTO, June 10, 2010 — Ontario's economic recovery has gained strength with growth expected to reach 3.8 per cent in 2010, which would be the fastest annual increase in the province in a decade, according to a new report by RBC Economics.

"Economic activity in Ontario picked up considerably with real GDP surging by 6.3 per cent in the fourth quarter of last year, as higher exports, residential investment, consumer spending and government stimulus took effect," said Craig Wright, senior vice-president and chief economist, RBC. "This strong pace is being sustained by improving U.S. demand and stimulus from fiscal and monetary policies."

According to the report, economic growth this year will be supported by an increase in demand for provincial exports as the U.S. economy recovers, boosting motor vehicle production. On the domestic side, government spending will fuel non-residential construction, as infrastructure projects reach their peak before the deadline in March of 2011 for Canada's Action Plan.

"The recovery in Ontario has yet to be felt broadly, as activity in key sectors is still well off pre-recession levels," added Wright. "Sustained growth should soon take effect and is projected to continue into 2011, with an expected rise of 3.5 per cent, down just slightly from this year's pace."

The report noted that household spending is expected to rise as consumer confidence strengthens, although the introduction of the HST may have a temporary impact on service spending with many services taxed at the provincial level for the first time. The overall benefits of moving to this value-added tax structure will be seen over the longer term.

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

The full report and provincial details are available online as of 8 a.m. EDT today www.rbc.com/economics/market/pdf/provfcst.pdf.

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