



Energy sector fueling Alberta's economic recovery: RBC Economics

TORONTO, September 10, 2010 — Alberta's economy is gradually recovering from last year's sharp contraction with real GDP set to grow 3.5 per cent, reversing most of the estimated 4.5 per cent decline in 2009, according to the latest Provincial Outlook report from RBC Economics.

Strong growth in the province is largely credited to energy-related activity. In particular, Alberta's oil and gas sector is making a comeback amid improved market conditions and recent changes in the province's royalty regime which have restored Alberta's royalty competitiveness.

"Strong sales of crown lands for oil and gas development indicate a renewed desire to develop Alberta's oil and gas resources - land acreage more than doubled during the first seven months of this year and land value climbed nearly eleven-fold," said Craig Wright, chief economist, RBC. "This rebound signals greater strength in oil and gas drilling going forward."

Newly completed or expanded oilsands projects are boosting bitumen output to record levels. Total bitumen production is on pace to grow at the fastest pace since 2006, balancing out continued declines seen in conventional crude oil and natural gas production.

According to the RBC Economics Provincial Outlook, Alberta's economic recovery is still behind in many sectors. Employment gains to date have been slow, deterring the influx of workers from other provinces which has in turn negatively impacted home resales. Retail sales have weakened in recent months after posting a strong start to the year and while manufacturing sales are bouncing back, the gains have been modest.

“While we would like to see stronger recovery in a wider spectrum of sectors, overall growth in the province is rebounding solidly and the lagging sectors are expected to soon benefit as renewed strength in energy-related activity feeds through the rest of the economy,” added Wright.

By next year, the recovery will be more broadly based translating to an even faster rate of growth in the provincial economy. RBC forecasts growth of 4.3 per cent in 2011.

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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