

PROVINCIAL OUTLOOK

March 2014

Provincial economies turning outward in search of growth

- The general macroeconomic environment will be conducive to achieving above-potential growth in both Canada and the US in 2014. We forecast real gross domestic product (GDP) to grow by 2.5% in Canada and by 2.8% in the US this year, which would be steps up from rates of 2.0% and 1.9%, respectively, in 2013.
- Faster growth on this side of the border will be supported, for the most part, by meaningfully improved external trade.
- Some provincial economies, such as Ontario, BC, Manitoba, Quebec, and New Brunswick, will benefit disproportionately from stronger US demand and a weaker Canadian dollar.
- Ontario, in particular, is set to have a noticeable boost to its real GDP growth.
- The majority of provincial economies will accelerate their pace in 2014; however, we project Newfoundland & Labrador to slow substantially from unsustainably strong growth in 2013, and Saskatchewan and Manitoba to lose some momentum, in part as payback for unusually strong agricultural production last year.
- We expect Alberta to stand in the top position of our growth rankings in 2014, still well ahead of Ontario, which is the only other province projected to grow at or above the national rate.

Export-led acceleration in growth

The long-awaited bulking-up of the US economy is finally taking shape and its benefits to Canada's external trade will be a central theme for the provincial economic outlook in 2014. Increasingly encouraging signs emanating from south of our border bode well for the US economy to sustain an above-potential growth rate this year, which we expect will drive US demand for Canada's goods and services higher, and contribute to a meaningful boost from net exports to the growth of many provinces. We further that the lower Canadian dollar—which we project to weaken to US\$0.87 by the end of this year—will amplify this trade boost. Since not all provinces' trade links with the US are created equal, we expect the boosting effects to be unequally felt across regions, with Ontario, BC, Manitoba, Quebec, and New Brunswick seeing the greatest benefits to their overall activity.

Hoped for business investment boom will have to wait a little longer

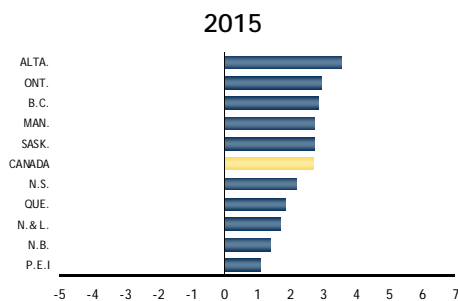
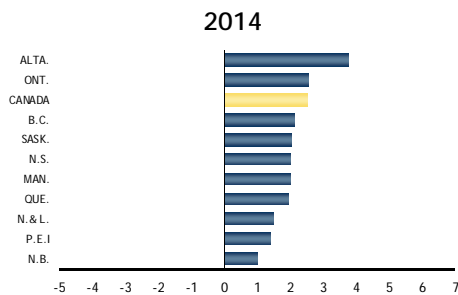
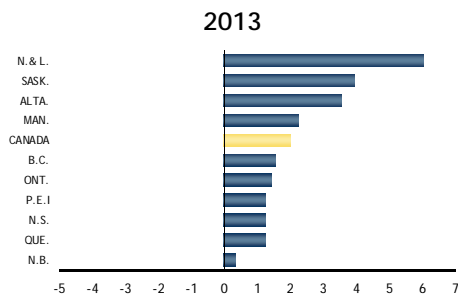
The lift from external trade certainly will be welcomed in the context that business investment—the other main potential source of added growth in Canada for the forecast—is no longer set to contribute as much to the expansion this year as we previously thought. The recently released Private and Public Investment (P&PI) intentions survey by Statistics Canada in February, in fact, showed that private firms plan to reduce their non-residential spending slightly in 2014. There is an intended increase in the public sector; however, it is not strong enough to propel total non-residential capital spending to a needle-moving pace. The survey shows declines in non-residential expenditures in the majority of provinces (including a sharp drop in PEI). Only New Brunswick, Ontario, Alberta, and Nova Scotia are slated to see (mostly modest) increases.

Alberta still ahead of the pack, but Ontario is narrowing the gap

We expect Alberta to top all provinces in terms of real GDP growth in 2014 with a rate of 3.7%. Ontario (2.5%) will climb several spots from 2013 and rank second. We forecast the remaining provinces to grow more slowly than the national average of 2.5%, although many of them (including BC, Saskatchewan, Nova Scotia, Manitoba, and Quebec) just modestly so. We expect New Brunswick to continue to trail despite showing notable improvement from 2013.

Real GDP growth

% change



Source: Statistics Canada, RBC Economics Research

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Shifting gears

British Columbia’s economy is set to shift to a higher gear in 2014 following two years of middling growth. Although modest, the performance in 2013, nonetheless, contained elements that we believe will rev-up the provincial growth engine this year. Chief among them are the gains made in export markets, which we expect will grow further in 2014 and generate spill-over effects benefiting domestic-oriented industries. The turnaround in the BC housing sector also is a positive development last year that, by restoring confidence in the market, will help lift a great deal of the uncertainty that was likely holding back household spending. We forecast real GDP growth to shift higher from the subdued 1.5% rate recorded in the past two years to a more respectable rate of 2.1% in 2014. The outlook is even brighter for 2015 with growth accelerating to 2.8%, provided that work on some liquefied natural gas (LNG)-related projects ramps up.

Exports emerge as a bright spot

Overall, the BC economy remained stuck in a low gear in 2013, restrained in part by stagnation in household-dependent sectors. One section of the economy that displayed some dynamism, however, was external trade. BC merchandise exports advanced solidly by almost 7% (on a nominal basis) last year, with substantial gains in the province’s two principal export markets—the US (up 12%) and China (up nearly 15%). There were substantial increases in most of the province’s key export commodities, including wood products (up 26%), metallic mineral products (up 11%), and natural gas (up 29%). We expect that further strengthening of the US economy—and, in particular, housing construction—and deeper penetration of the Chinese market will continue to drive BC exports higher in 2014. Stronger sales abroad primarily will fire up BC resource industries, such as forest products and mining, but also spread benefits to other sectors ranging from manufacturing to business service industries.

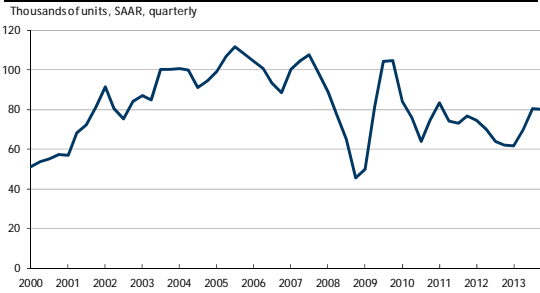
Returning confidence bodes well for consumer spending

Success on the external front will be positive for the job market. After standing still last year, we project employment to rise by 0.8% this year, which would be sufficient enough to nudge BC’s unemployment rate downward from 6.6% in 2013 to 6.4% in 2014. The resumption of job creation, easing in the jobless rate, and the fact that the provincial housing market ended its slide last year will instil greater confidence in BC household to go out and spend. We, therefore, expect stronger consumer spending in 2014 compared to the lacklustre growth in retail sales in the past two years.

LNG tax rules announced; little economic impact this year

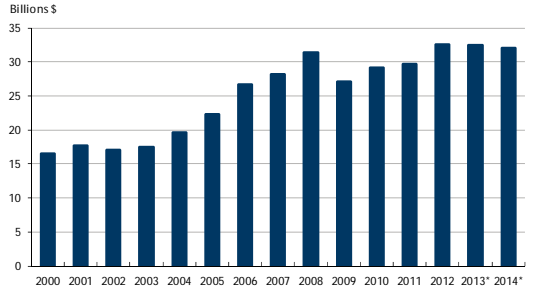
In its February budget, the BC government announced its long-awaited tax rules for future LNG projects with final details to come later this fall. At this stage, we expect only minimal short-term activity from these projects, as they still need final approval from proponents. Statistics Canada’s latest P&PI survey indeed showed no signs that LNG projects featured prominently in capital spending plans in the province in 2014; in fact, it revealed a decline of 1.5% in non-residential outlays, including a 3.7% drop in the oil and gas industry. We expect more meaningful LNG spending to begin in 2015, although any large-scale investment likely is still years away.

British Columbia home resales



Source: The Canadian Real Estate Association, RBC Economics Research

British Columbia non-residential investment



*2013-preliminary actual; 2014-intentions
Source: Statistics Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 2.7 | 1.5 | 1.5 | 2.1 | 2.8 |
| Employment | 0.8 | 1.7 | -0.2 | 0.8 | 1.1 |
| Unemployment rate (%) | 7.5 | 6.7 | 6.6 | 6.4 | 6.3 |
| Retail sales | 3.2 | 1.9 | 1.8 | 3.6 | 3.7 |
| Housing starts (units) | 26,400 | 27,465 | 27,054 | 25,800 | 24,000 |
| Consumer price index | 2.3 | 1.1 | -0.1 | 0.9 | 1.7 |

Robert Hogue
Senior Economist



On a roll

Alberta's economy clearly has been on a roll since 2010, and we see little likely to get in its way in 2014. Investment in energy resources will continue to be massive and generate substantial direct and indirect activity in the province; however, increasingly the expansion will be fuelled by gains in a broader spectrum of economic sectors. In particular, very strong population growth—in fact, the strongest seen in 30 years in the province—will keep demand supercharged for a host of consumer goods and services, along with housing. We forecast Alberta's real GDP to grow by 3.7% in 2014 or slightly faster than our estimated 3.5% rate in 2013. Such a pace would place Alberta in the top position of provincial growth rankings in 2014. We expect the good times largely to keep rolling in 2015, with real GDP advancing by a still-solid 3.5%.

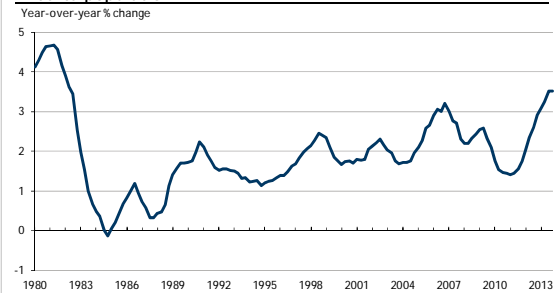
Robust growth maintained in 2013

As severe as the 2008–2009 recession was in Alberta (real GDP contracted by 4.1% in 2009), the recovery since then has been nothing short of spectacular. The provincial economy grew by an average of 4.5% per year between 2010 and 2012 (more than double the 2.1% average in the rest of Canada), and we estimate that it maintained a robust rate of 3.5% last year. In 2013, economic indicators showed that the expansion spread well beyond the construction of oil sands mega projects that has been the central driver of activity in recent years. There were substantial gains recorded last year in export markets (merchandise exports climbed by a strong 6.9%), crude oil and bitumen production (up by more than 6%), consumer spending (retail sales grew by an impressive 6.6%, and the number of motor vehicles sold rose 6.2% to an all-time high of 263,200 units); the housing market (housing starts climbed to 36,000 units, the strongest level in six years, and home resales jumped 9.5%, also to a six-year best); and non-residential capital investment in sectors other than oil and gas extraction (which surged 17% on a nominal basis). Supporting the domestic side of the economy were strong labour market conditions (67,900 new jobs created, representing nearly two-thirds of all the net new jobs in Canada) and rapid population growth (3.5%, the fastest rate since 1981).

Excellent prospects to carrying over into 2014

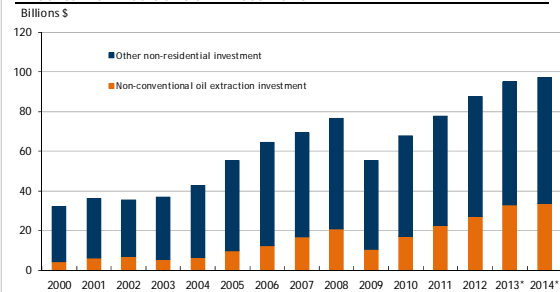
We expect this broadening of the economic expansion in Alberta to continue in 2014. In particular, the effect of strong population growth will further reverberate across consumer-dependent sectors, including housing, retail trade and various personal services industries. We project solid increases of 4.7% in home resales (to 69,400 units), 7.5% in housing starts (to 38,700 units) and 5.2% in retail sales. Rapid growth in sectors other than non-residential construction will more than make up for an anticipated slowing in the pace of capital expenditures in the energy sector. Statistics Canada's latest P&PI survey revealed that while capital spending on non-conventional oil resources will push further into record territory (to a total of more than \$33 billion), the rate of growth will moderate substantially to 2.3% in 2014, which would be down from an average of 24% annually between 2011 and 2013. Growth in capital spending in other non-residential sectors is projected to remain fairly steady at 2.3% (versus 3.2% in 2013).

Alberta population



Source: Statistics Canada, RBC Economics Research

Alberta non-residential investment



*2013=preliminary actual, 2014=intentions
Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 5.2 | 3.8 | 3.5 | 3.7 | 3.5 |
| Employment | 3.8 | 2.6 | 2.9 | 2.3 | 2.0 |
| Unemployment rate (%) | 5.5 | 4.6 | 4.6 | 4.3 | 4.0 |
| Retail sales | 6.8 | 6.9 | 6.6 | 5.2 | 5.1 |
| Housing starts (units) | 25,704 | 33,396 | 36,011 | 38,700 | 34,600 |
| Consumer price index | 2.4 | 1.1 | 1.4 | 1.5 | 1.7 |

Robert Hogue
Senior Economist

Growth to moderate in 2014

We continue to expect growth in Saskatchewan to slow sharply in 2014 to 2.0% relative to an estimated solid increase in 2013 of 3.9%, which benefited from the tremendous jump in grain and oilseed production that resulted from exceptionally favourable weather conditions during the 2013 growing season. We assume that more normal growing conditions during the forecast period will cause Saskatchewan’s agricultural production to drop back down to more sustainable levels in 2014 and beyond. More specifically, our base case scenario for the provincial economy includes a 6% decline in agricultural output this year following an increase of more than 15% in 2013. Our scenario has agricultural output then growing again modestly at a rate of 2% in 2015. This resumption of growth in the agricultural sector is expected to contribute to overall provincial real GDP growth in 2015 bouncing back to 2.7%.

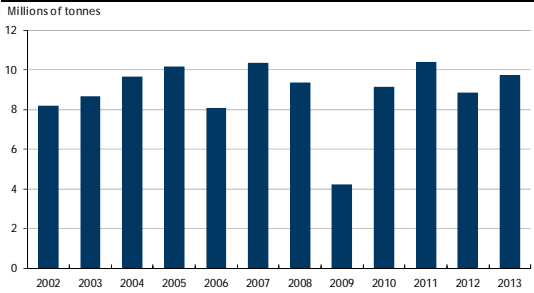
Potash production remains a wildcard

In addition to a return to more sustainable levels of grain and oilseed production, the slowing in growth that we forecast for 2014 also reflects our expectation that the rate of increase in Saskatchewan’s potash production will be about half the 10% rate achieved in 2013. This more moderate pace of expansion largely reflects indications that the world’s largest potash producer, Russian-based Uralkali, is determined to increase its production dramatically in an attempt to grab a greater share of the global market. We assume that this attempt on the part of Uralkali will have an attendant cooling effect on activity in Saskatchewan. That being said, the situation is likely to remain very fluid during the forecast period. We see both upside and downside risks to Saskatchewan potash production, as Uralkali may well curtail its plan or expand it even more aggressively than we assume. The fluidity of the situation has been compounded further by the recent political turmoil in the Ukraine and the threat of various export restrictions being imposed on Russia.

Uncertainty to have a knock-on effect for investment

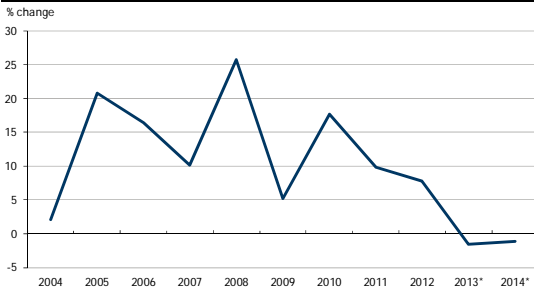
The prospect of a jump up in potash production overseas has already prompted us to revise downward overall investment activity in Saskatchewan’s potash sector through the forecast. There are a number of potash projects pending in the province that are likely to see spending slowed rather than terminated altogether awaiting greater clarity as to where overseas production will settle. The release of Statistics Canada’s P&PI survey provided further evidence that firms in the province, both inside and outside of the mining sector, remain cautious about undertaking additional expenditures. The survey indicated that non-residential investment in 2014 is expected to decline 1% after dropping 1.5% in 2013. In contrast, this measure of capital expenditure rose 8% and 10% in 2012 and 2011, respectively. These survey numbers were marginally more cautious than we had assumed previously and contributed to our 2014 real GDP growth forecast being revised downward slightly from the 2.1% that we projected in December 2013. Our view, however, is that any decline in investment spending in 2014 will be a partial deferral to 2015. Accordingly, we revised our 2015 real GDP growth rate forecast upward slightly to 2.7% from our previous projection of 2.5%.

Saskatchewan potash production



Source: Saskatchewan Industry and Resources, RBC Economics Research

Saskatchewan non-residential investment



*2013-preliminary actual; 2014-intentions
Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 5.0 | 1.9 | 3.9 | 2.0 | 2.7 |
| Employment | 0.3 | 2.1 | 3.4 | 1.1 | 1.7 |
| Unemployment rate (%) | 5.0 | 4.7 | 4.0 | 4.2 | 4.0 |
| Retail sales | 7.5 | 7.6 | 3.0 | 4.7 | 5.1 |
| Housing starts (units) | 7,031 | 9,968 | 8,290 | 8,000 | 7,500 |
| Consumer price index | 2.8 | 1.6 | 1.4 | 2.3 | 2.5 |

Paul Ferley
Assistant Chief Economist

Near-term growth revised lower

We lowered the outlook for GDP growth in Manitoba in 2014 to 2.0% from the 2.3% projected in December 2013. This in part reflects new data through the end of 2013 for such areas as manufacturing that indicated weaker than expected momentum going into 2014. The latest data also imply that provincial growth in 2013 was softer than we previously thought. We, therefore, lowered our 2013 real GDP growth forecast to 2.2% from the 2.5% previously projected. Further weighing on the outlook for 2014 are indications from Statistics Canada's P&PI survey that capital spending will be cut back slightly in the province this year, which is contrary to our earlier expectation that it would rise modestly. We believe that capital spending will bounce back moderately in 2015, thereby contributing to real GDP growth reaccelerating to 2.7% next year. Stronger growth in 2015 will reflect the view that faster rising US economic activity will provide greater underlying support to Manitoba's economy, particularly in areas such as manufacturing, thereby prompting the need to expand production capacity in the province.

Flat manufacturing activity until the end of 2013

In terms of recent economic indicators, Manitoba's manufacturing sales disappointed because they remained essentially flat to the end of 2013. There has been an encouraging strengthening in the machinery component in the final quarter of last year, although this has been offset by weakening growth in food processing and flat activity in transportation equipment manufacturing. Looking ahead, with the Canadian dollar depreciating since the start of 2013 and the trend in US growth now clearly on an ascent, our expectation is that increased US demand will help boost manufacturing activity in the province this year. That being said, we scaled back our anticipated rate of growth in this sector by a percentage point to 2.5% in 2014 in light of the disappointing lack of momentum of late. We see a stronger pace of 4.0% in manufacturing re-emerging in 2015.

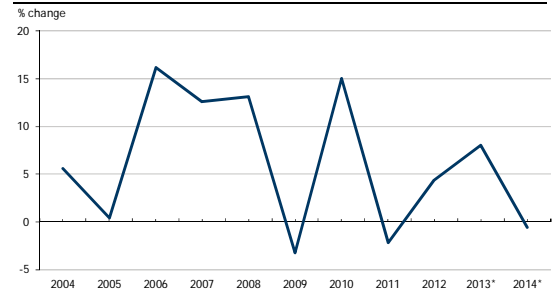
Employment growth has turned sluggish

Employment numbers also disappointed in the final quarter of 2013, by declining for the first time, on a year-over-year basis, since the 2008–2009 recession; however, we expect this setback to be only temporary, as steady expansion in Manitoba's economy will lead to a resumption of job creation in the province. Although employment growth this year is expected to remain modest at 0.7%, it will be up slightly from the 0.5% gain recorded last year. Job growth is expected to strengthen to 1.2% in 2015.

Investment spending to decline slightly

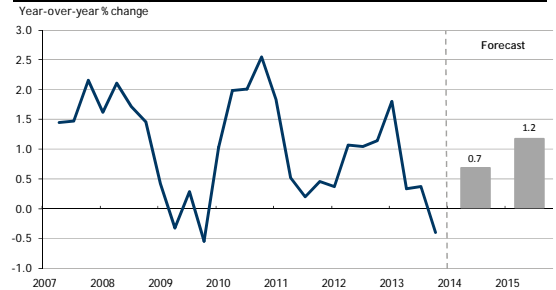
Statistics Canada's annual investment intentions survey disappointingly showed that Manitoba enterprises plan to reduce non-residential investment 0.5% following an 8% gain in 2013. This reduction largely reflects a slowing in investment intentions in manufacturing and utilities. Both sectors indicated no growth in capital spending in 2014 after 30% increases in 2013. We believe that expanding output in sectors such as manufacturing during the forecast should provide incentive for capital spending to resume in 2015. With respect to utilities, any increase in capital spending by Manitoba Hydro is more a function of projects such as Bipole III successfully meeting various regulatory reviews.

Manitoba non-residential investment



*2013=preliminary actual, 2014=intentions
Source: Statistics Canada, RBC Economics Research

Manitoba employment



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 1.7 | 2.6 | 2.2 | 2.0 | 2.7 |
| Employment | 0.8 | 0.9 | 0.5 | 0.7 | 1.2 |
| Unemployment rate (%) | 5.4 | 5.3 | 5.3 | 5.3 | 5.2 |
| Retail sales | 4.5 | 1.6 | 2.0 | 3.6 | 4.4 |
| Housing starts (units) | 6,083 | 7,242 | 7,465 | 6,800 | 6,500 |
| Consumer price index | 2.9 | 1.6 | 2.3 | 1.9 | 2.0 |

Paul Ferley
Assistant Chief Economist

Exports and capital investment to kick into higher gear

Ontario’s economic growth was disappointingly subdued during the past two years; however, we expect that the pace will pick up visibly in 2014 with export demand and business investment kicking into higher gear. Ontario is set to benefit disproportionately from a strengthening US economy (and lower Canadian dollar) because of the close ties that it has with that market, and growing US sales will compel Ontario businesses to invest in structures, and machinery and equipment. Municipalities also are planning to boost their capital spending substantially after a three-year hiatus. Overall, we expect real GDP growth to accelerate from an estimated 1.4% in 2013 to a four-year high of 2.5% in 2014. The outlook for 2015 is even brighter as we expect that by then a roaring US economy will pull Ontario’s economy along with it. We project Ontario’s real GDP to expand by 2.9% in 2015.

Exports to get going

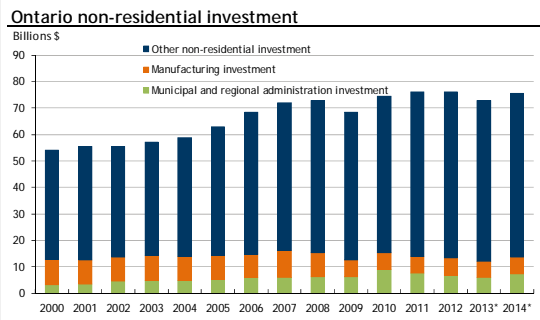
The recovery in Ontario’s trade sector has hit roadblocks since the middle of 2012. According to estimates from the Ontario Finance Ministry, net trade remained effectively stationary during the first three quarters of 2013 compared to the same period a year earlier, with both exports and imports easing modestly. International merchandise trade figures for Ontario from Statistics Canada show a year-over-year gain in nominal exports in the fourth quarter of 2013 (concentrated in consumer goods); however, they do so also for imports. Exports of motor vehicle and parts were essentially flat in 2013 amid a decline of more than 6% in car and truck production in the province. Nonetheless, we continue to believe that Ontario exporters stand to benefit strongly from improving US demand, as we expect the US economy to ramp up quite significantly by spring 2014. While there is room for advances in motor vehicle and parts exports, perhaps greater opportunities lie in a wide range of other Ontario-made products (e.g., consumer goods, machinery, equipment, building materials, pharmaceuticals, and natural resources) and services (e.g., financial services, software applications, and engineering).

Manufacturers and municipalities to invest more in 2014

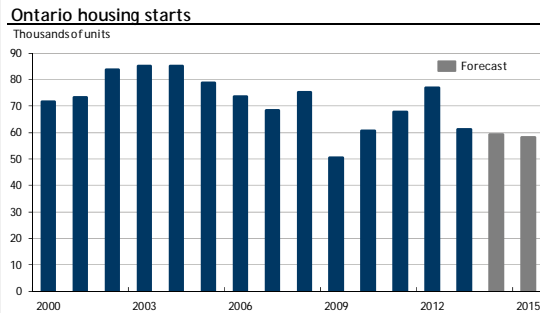
The release of Statistics Canada’s P&PI survey in February brought some good news—and relief—on the capital expenditures front, after a lacklustre 2013. The survey indicated that businesses plan to raise their spending on non-residential outlays by 3.7% in 2014 (after cutting it back by 4.5% last year). Quite encouraging was the fact that Ontario manufacturers are pencilling in an 8.8% boost. Approximately two-thirds of this increase will take place in the transportation equipment industry (where capital spending is set to surge almost 29%). This will be a welcomed development because capital investment in motor vehicle assembly in the province lagged behind other jurisdictions such as southern US states and Mexico in the past several years. Also positive were plans by local and municipal administrations to boost their capital expenditures by close to 20% in 2014, following three years of significant declines and amid largely flat spending at the provincial and federal levels. This is evidence that Ontario municipalities are firmly engaged in addressing the need to upgrade and expand public infrastructures in the province.

Housing investment to moderate

On the residential side, the P&PI survey indicated that housing investment will decline slightly for a second-straight year. This is consistent with our outlook for the Ontario housing sector. We expect housing starts in the province to moderate to 59,100 units in 2014 from 61,100 units in 2013.



*2013=preliminary actual; 2014=intentions
Source: Statistics Canada, RBC Economics Research



Source: Statistics Canada, RBC Economics Research

Ontario forecast at a glance

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 2.2 | 1.3 | 1.4 | 2.5 | 2.9 |
| Employment | 1.8 | 0.8 | 1.4 | 0.9 | 1.2 |
| Unemployment rate (%) | 7.8 | 7.8 | 7.5 | 7.3 | 7.0 |
| Retail sales | 3.6 | 1.6 | 1.8 | 3.8 | 3.9 |
| Housing starts (units) | 67,821 | 76,742 | 61,085 | 59,100 | 58,000 |
| Consumer price index | 3.1 | 1.4 | 1.1 | 1.5 | 1.9 |

Robert Hogue
Senior Economist



Modest improvement on the way

The long-awaited rotation into new sources of growth began to get in motion (albeit just barely) in Quebec in 2013, with exports and non-residential investment advancing while housing receded. Yet the changing mix of economic drivers was unable to raise overall growth to the next level, which in fact, eased to a sub-par rate of 1.2% in 2013, according to our latest tracking estimate, from 1.5% in 2012. We expect that further improvement in export demand and diminishing drag from housing will produce better overall results in 2014 for the Quebec economy—we forecast real GDP growth to accelerate to 1.9%—but this faster pace will still fall short of the national average of 2.5%. The rotation process in the province is likely to lose a key component in 2014 because Quebec enterprises intend to pull their capital investment back somewhat. Looking further ahead, we expect real GDP growth to be little changed in 2015 at a still-modest rate of 1.8%.

Trade deficit shrinking

There were positive developments on the external side of Quebec's economy in the past year. Expenditure account estimates to the third quarter of 2013 from the *Institut de la statistique du Québec* show that the province's trade deficit shrunk, as exports grew faster than imports for the first time in at least six years (historical data only go back to 2007 at the present time). Full-year statistics on merchandise exports indicate that the majority of Quebec's major export categories posted increases in 2013, including aluminum (up 13.9% in real terms), aircrafts and parts (up 11.9%), electricity (up 7.8%), pulp and paper (up 9.7%), pharmaceuticals (up 6.3%), and softwood lumber (up 31.5%). We believe that, in many cases, these gains are just the beginning. Strengthening US demand and a weaker Canadian dollar will further help to lower the trade deficit in 2014 and beyond.

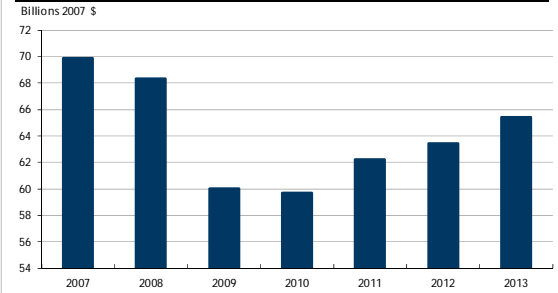
Enterprises to pull capital spending back somewhat

Less likely to carry over into 2014, however, will be the upward trajectory in non-residential investment in the province. Last year, business spending on building construction rose meaningfully, as did expenditures on machinery and equipment. The recently published P&PI survey revealed that private and public enterprises are contemplating a small 0.3% reduction in total non-residential capital outlays in 2014. This overall reduction stems primarily from a significant \$1.2 billion (16.6%) drop in spending by utilities, likely reflecting the ramping down of construction of a major hydroelectric project (Romaine-2). The news was more upbeat in other sectors, including manufacturing, transportation services, and public administration, where notable spending increases are planned. Within the public administration, the biggest boost (8.2%) will occur at the provincial level where the economic stimulus plan announced in October 2013 by the provincial government is scheduled to start deploying some of its \$2 billion worth of measures over four years.

Less housing drag

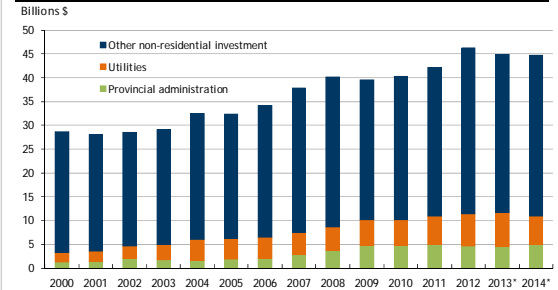
Also not expected to carry over into 2014 will be the magnitude of the drag on growth caused by the residential sector. There were significant declines in home resales and housing starts in Quebec last year. Although we expect further weakening to occur in 2014, the pace of decline is likely to moderate because we believe there is limited downside left in the sector and support coming from modestly improving job prospects.

Quebec real merchandise exports



Source: Institut de la statistique du Québec, RBC Economics Research

Quebec non-residential investment



*2013-preliminary actual, 2014-intentions
Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|--------|--------|--------|--------|--------|
| Real GDP | 1.8 | 1.5 | 1.2 | 1.9 | 1.8 |
| Employment | 1.0 | 0.8 | 1.2 | 1.0 | 1.0 |
| Unemployment rate (%) | 7.8 | 7.8 | 7.6 | 7.5 | 7.3 |
| Retail sales | 3.0 | 1.1 | 1.8 | 3.0 | 3.5 |
| Housing starts (units) | 48,387 | 47,367 | 37,758 | 34,500 | 34,000 |
| Consumer price index | 3.0 | 2.1 | 0.8 | 1.3 | 1.9 |

Robert Hogue
Senior Economist

Gradually turning the corner...

The anaemic growth conditions that weighed on economic activity in New Brunswick in recent years are set to ease in 2014. The recent release of Statistics Canada’s P&PI survey indicates that enterprises plan to boost capital investment in the province in 2014 following sizeable cutbacks in each of the past two years. While consumer-dependent sectors are expected to remain soft, an anticipated turnaround in the province’s labour markets should further help to set the stage for improving growth prospects. Our forecast calls for real GDP growth to accelerate, albeit to a still subdued 1.0% in 2014, following an estimated 0.3% rate of growth in 2013. We project growth to further accelerate to 1.4% in 2015.

Private investment to rise in 2014

Non-residential building construction rose above year-ago levels for the first time in two years in the latter half of 2013, and the momentum in investment is expected to continue during 2014. Statistics Canada’s P&PI survey indicated that capital spending on non-residential outlays is set to rise by 4.1% in 2014 following a sizeable 18.4% drop in 2013. Importantly, private investment will see an increase in 2014 for the first time since 2008 and provide an offset to further easing in public investment. The rebound in overall investment intentions bodes well for the provincial economy finally turning the corner this year, particularly as an improvement in construction spending beyond 2014 is likely as major projects in the province advance.

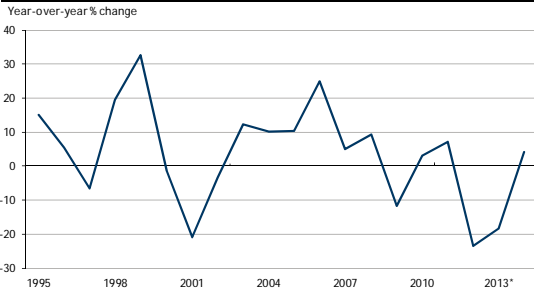
Shifting focus to the province’s natural resources

The province’s trade balance deteriorated in 2013, despite gains in US demand-oriented categories such as lumber. The closure of the Brunswick lead-zinc mine in early 2013 slowed industrial goods exports; however, an anticipated re-start at the Caribou mine, a drilling program related to the development of an Atlantic Potash mine, and the advancement of the Sisson Brook tungsten mine in 2014 are expected to support improving prospects for the mining sector. To attract investment to the province’s resource sectors, the New Brunswick government is launching a process to identify potential interest in potash exploration and is also set to implement a new two-tiered natural gas royalty regime in April 2014. By replacing a flat tax structure, the government aims to spur new developments in the natural gas sector and lay the foundation for overall production and export gains during the longer term.

Employment showing signs of a turnaround

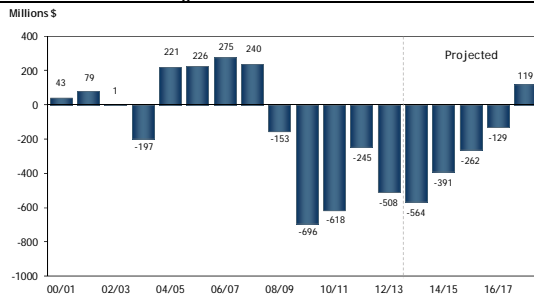
The 2014 provincial budget, released in early February, maintained the plan presented a year earlier that relied on strengthening economic growth and the maturation of previously announced tax changes to stem what has become a persistent deterioration in revenues. The government projects that an improvement in employment will support revenue gains via increased consumer spending during the forecast horizon. The government expects a return to surplus in 2017–2018. We, too, project a recovery in the province’s labour market, which would represent a welcome turnaround from four years of consecutive declines. Looking more closely beneath the headline employment drop in 2013, we find that the private sector marked its first positive annual job growth in 2013 since 2007. We expect that further creation of private-sector jobs in 2014 will offset continued losses in the public sector and lead to a net overall employment gain of more than 1,800 jobs in the province this year.

New Brunswick non-residential investment



*2013-preliminary actual; 2014-intentions
Source: Statistics Canada, RBC Economics Research

New Brunswick budget balance



Source: New Brunswick Ministry of Finance, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 0.3 | -1.1 | 0.3 | 1.0 | 1.4 |
| Employment | -1.1 | -0.2 | -0.1 | 0.5 | 0.5 |
| Unemployment rate (%) | 9.5 | 10.2 | 10.4 | 10.2 | 10.0 |
| Retail sales | 4.8 | -0.7 | 0.1 | 3.0 | 3.0 |
| Housing starts (units) | 3,452 | 3,299 | 2,843 | 2,600 | 2,800 |
| Consumer price index | 3.5 | 1.7 | 0.8 | 1.9 | 2.0 |

Laura Cooper
Economist



Natural gas fuelling the economic growth engine

Economic growth in Nova Scotia is poised for modest acceleration in 2014 from a subdued estimated pace of 1.2% in 2013. The ramping up of production at the Deep Panuke offshore natural gas field late in 2013 provided a strong handoff for continued gains in 2014 and is expected to help lift real GDP growth in 2014 to a forecasted 2.0%. A full year of production and the concomitant boost to the province's energy exports are expected to contribute to offset the still-temper performance on the domestic side of the economy. While we expect last year's disappointing employment decline to be mostly reversed this year, our projected job increase for 2014 (0.4%) is modest and unlikely to invigorate consumer-related activity that much. We expect that stronger job creation and a ramp-up of work on the major shipbuilding contract will support propel real GDP to a growth rate of 2.2% in 2015.

Deep Panuke operating at full production capacity

Natural gas began to flow at the Deep Panuke offshore facility late in the summer of 2013 and reached full production capacity by the end of the year. A full year of production this year is expected to boost growth in the province and support continued trade gains following renewed strength in the province's international merchandise exports in 2013. Robust external demand for the province's seafood exports is likely to persist in 2014; however, year-over-year gains from the shipments of paper products are set to ease following a full year of production in 2013 at the re-opened Port Hawkesbury mill. Strengthening levels of auto sales in the US are expected to provide support to the province's exports of rubber tires; however, an anticipated reduction in production by the province's largest manufacturer during the next 18 months could temper gains for the province's largest export category.

Major projects continue to advance

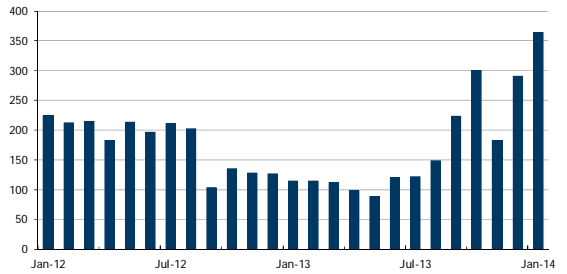
As the province moves toward an anticipated 2015 start date for 'cutting of steel', tasks related to the 30-year, \$25-billion shipbuilding procurement contract continue to advance. The recent authorization of funds for the Arctic Offshore Patrol Ships allows for the design phase of the \$288-million definition contract to progress as well as provide the resources to prepare a fully developed build plan for the Irving shipyard. The increased capital spending plans were substantiated in the recent release of Statistics Canada P&PI survey that showed capital investment (excluding housing) rising modestly by 1.9% in 2014. While this represents moderation from the 11.5% pace in 2013, investment is expected to remain elevated with the ramping up of infrastructure work in preparation for the Maritime Link, which is expected to be delivered in 2017.

Domestic headwinds persist

Housing starts took a tumble in 2013 as the level of single unit starts dropped to their lowest level on record. Construction gains in multiple units provided a partial offset in 2013; however, an easing in this component is expected to contribute to a further moderation in overall starts again in 2014. A modest rebound in hiring is expected, although the forecasted 0.4% rate of growth in employment would mark the 7th year of sub-1.0% growth in the province. The slight recovery in the labour market, at the margin, will help restore some confidence among consumers and provide a small lift to overall consumer spending.

Nova Scotia offshore natural gas production

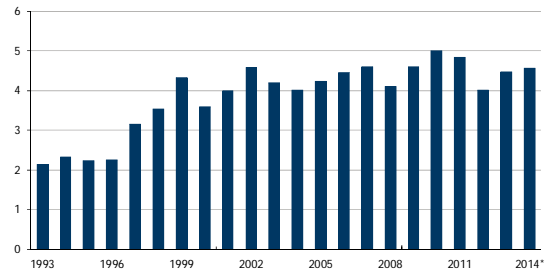
Millions of cubic metres, seasonally adjusted



Source: Canada-Nova Scotia Offshore Petroleum Board, RBC Economics Research

Nova Scotia non-residential investment

Billions \$



*2013=preliminary actual; 2014=intentions
Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 0.6 | -0.1 | 1.2 | 2.0 | 2.2 |
| Employment | 0.1 | 0.6 | -0.4 | 0.4 | 1.5 |
| Unemployment rate (%) | 8.8 | 9.0 | 9.0 | 8.7 | 8.3 |
| Retail sales | 3.6 | 1.0 | 2.0 | 3.1 | 3.7 |
| Housing starts (units) | 4,644 | 4,522 | 3,919 | 3,600 | 3,600 |
| Consumer price index | 3.8 | 1.9 | 1.2 | 1.6 | 2.1 |

Laura Cooper
Economist

Maintaining a modest but steady course

Economic growth in PEI is expected to remain subdued in 2014, rising only modestly above a relatively slow rate of growth in 2013. A sizeable pullback in capital investment, as indicated by Statistics Canada’s survey of investment intentions, is expected to temper the rise in economic activity in the province, however, and add to intensifying domestic headwinds. Our forecast calls for real GDP to grow by 1.4% in 2014, representing a slight acceleration from an estimated 1.2% in 2013. We expect moderate growth to return in 2015 at a rate of 1.1%.

Capital investment set to decline in 2014

The anticipated decline in capital investment (excluding housing) in the province in 2014 will reverse a similar-sized jump in 2013. The retracement of last year’s increases will be seen in both non-residential construction spending, and machinery and equipment investment. That being said, the bulk of the decline in 2014 is expected to come from a significant pullback in the public sector. As outlined in the provincial government’s fall 2013 capital plan, a 12.1% drop in capital expenditures is expected in the 2014–2015 fiscal year with spending declines across most departments.

Merchandise exports rise to record level in 2013

The flow of merchandise goods to international destinations reached a new summit in 2013 as strengthening US demand fuelled robust gains in consumer goods exports and supported a turnaround for the province’s agricultural products. Despite room nights sold rising remaining essentially flat (edging upward by just 0.1%), tourism activity was boosted by cruise ship visits posting another record-number high. A weaker Canadian dollar and strengthening US economy provide further upside to both the tourism industry and PEI exports in 2014.

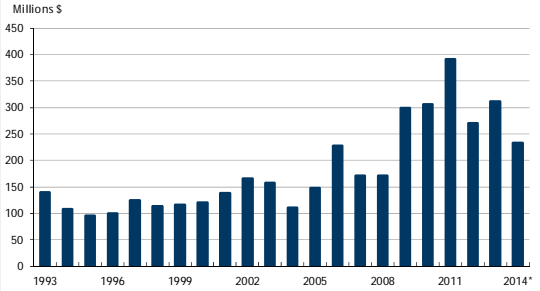
Employment growth to moderate

Employment growth accelerated in the province in 2013 to a 1.8% pace, as the private sector continued to expand hiring and a rising number of Islanders entered self-employment. While the solid gains in the former component continued into the early part of 2014, the overall pace is expected to moderate as government fiscal restraint weighs on public-sector hiring. The rate of overall employment growth is expected to be sufficient, however, to put further downward pressure on the unemployment rate after rising by 0.2 percentage points to 11.5% in 2013.

Fiscal and demographic headwinds

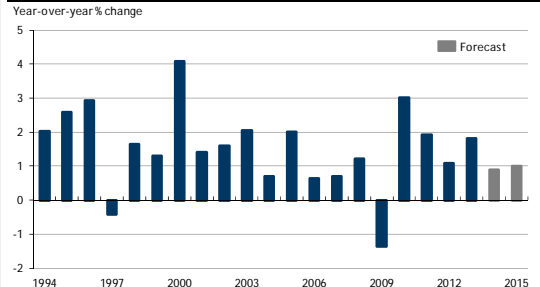
The province’s spring budget is expected to provide an indication of how the province is progressing on its path to budget balance by 2015–2016, following a larger than expected deficit of \$79 million in 2012–2013. A potential challenge for the province is expected to come from a declining tax base as a greater share of the population enters retirement age. The working-age population, 15 to 64 years of age, faced the steepest decline on record in 2013 while population aged 14 and younger also declined. Adding to the population pressures, international migration is on track for further moderation after reaching a peak in 2010, and the province is expected to see a decline in net interprovincial migrants for the tenth consecutive year in 2013.

Prince Edward Island public investment



*2013-preliminary actual; 2014-intentions
Source: Statistics Canada, RBC Economics Research

Prince Edward Island employment



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

| % change unless otherwise indicated | | | | | |
|-------------------------------------|------|------|-------|-------|-------|
| | 2011 | 2012 | 2013F | 2014F | 2015F |
| Real GDP | 1.0 | 1.5 | 1.2 | 1.4 | 1.1 |
| Employment | 1.9 | 1.1 | 1.8 | 0.9 | 1.0 |
| Unemployment rate (%) | 11.4 | 11.3 | 11.5 | 11.1 | 10.9 |
| Retail sales | 5.4 | 3.2 | 1.3 | 3.7 | 3.8 |
| Housing starts (units) | 940 | 941 | 636 | 700 | 600 |
| Consumer price index | 2.9 | 2.0 | 2.0 | 2.2 | 2.1 |

Laura Cooper
Economist



Slowing down...but still gaining ground

A strong rebound in crude oil production at the province's offshore oil fields spurred Newfoundland & Labrador to the top of the provincial growth rankings in 2013 with an estimated rate of 6.0%. The absence of a similar production surge and anticipated moderation in capital spending from 2013's record-high level are expected to temper economic growth to just 1.5% in 2014. The advancement of major projects in the energy sector will continue to generate substantial construction activity and support a historically high level of capital investment in the province. We expect growth to re-accelerate slightly to 1.7% in 2015.

Oil production to decline in 2014

Following a 16% rebound in crude oil production in 2013, the National Energy Board forecasts production will decline by 0.8% in 2014 due to the maturation of existing offshore oilfields. Despite the easing in production, activity in the oil and gas sector is expected to remain robust with capital investment projected to remain at historically elevated levels. Statistics Canada's investment intentions survey indicated that spending by the oil and gas sector is expected to rise by 9.7% to \$5.1 billion, thereby marking the highest level of spending on record in the province. Construction on the Hebron offshore oil project is expected to peak in 2014 while ongoing work on the Hibernia Southern Extension Unit and South White Rose extension continue to contribute to investment in the province. Prospects remain bright for the sector, with two offshore oil discoveries in 2013 and greater access to overseas markets beginning to materialize. A shipment to India from the White Rose field earlier this year marked the first Canadian crude oil purchased by the Asian country.

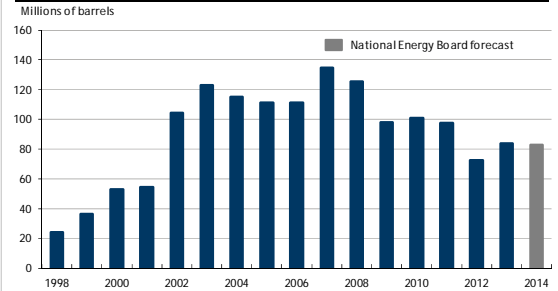
Mining challenges persist

Mining activity is not expected to pick up in 2014 as challenging conditions continue to weigh on the sector. Softer commodity prices and lower production afflicted the industry in 2013, and recent capital spending intentions show that further expenditure cutbacks are in the cards for the sector in 2014. Labrador Iron Mines stated that operations may be suspended in the absence of new investment, and a volatile iron ore market led to the idling of the Wabush mine earlier this year. Not all mining news is bad, however. Despite persistent downside risks for iron ore prices, the Iron Ore Company of Canada is on track for the second phase of its expansion to increase production capacity this year. As well, the recent government approval of the Kami project indicated that construction is likely to ramp up in 2014, which will help to offset an anticipated pullback in construction following the completion of Vale's processing plant in 2013.

Brrr...but economic activity to warm up

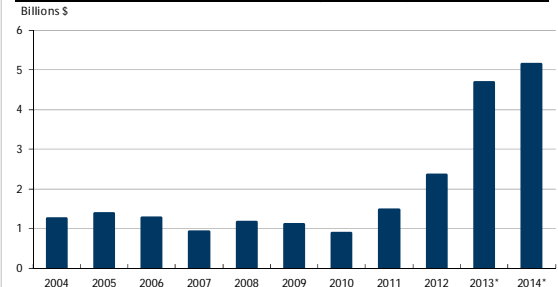
We expect the disruption to economic activity caused by severe winter weather conditions and subsequent power outages at the start of this year will be reversed in the coming months. Subdued employment growth, however, will persist. That being said, a peak in construction employment at the Hebron offshore project is expected to contribute to employment gains in the province's goods-producing industries in 2014. Advances in developments of other major projects are further expected to support employment gains with construction set to peak at the province's Muskrat Falls hydroelectric project in 2015.

Newfoundland and Labrador oil production



Source: Canada-Newfoundland and Labrador Offshore Petroleum Board, National Energy Board, RBC Economics Research

Newfoundland and Labrador oil and gas industry expenditures



*2013-preliminary actual; 2014-intentions
Source: Statistics Canada, RBC Economics Research

Newfoundland forecast at a glance

% change unless otherwise indicated

| | 2011 | 2012 | 2013F | 2014F | 2015F |
|------------------------|-------|-------|-------|-------|-------|
| Real GDP | 2.9 | -4.4 | 6.0 | 1.5 | 1.7 |
| Employment | 2.7 | 2.3 | 1.0 | 0.9 | 1.5 |
| Unemployment rate (%) | 12.7 | 12.5 | 11.4 | 11.6 | 11.4 |
| Retail sales | 5.3 | 4.6 | 4.0 | 3.9 | 3.9 |
| Housing starts (units) | 3,488 | 3,885 | 2,862 | 2,800 | 2,700 |
| Consumer price index | 3.4 | 2.1 | 1.7 | 2.1 | 2.1 |

Laura Cooper
Economist

Forecast detail

Average annual % change unless otherwise indicated

| | Real GDP | | | | Employment | | | | Unemployment rate % | | | | Housing starts Thousands | | | | Retail sales | | | | CPI | | | |
|---------|----------|-----|-----|-----|------------|------|-----|-----|---------------------|------|------|------|--------------------------|------|------|------|--------------|-----|-----|-----|-----|------|-----|-----|
| | 12 | 13F | 14F | 15F | 12 | 13F | 14F | 15F | 12 | 13F | 14F | 15F | 12 | 13F | 14F | 15F | 12 | 13F | 14F | 15F | 12 | 13F | 14F | 15F |
| N. & L. | -4.4 | 6.0 | 1.5 | 1.7 | 2.3 | 1.0 | 0.9 | 1.5 | 12.5 | 11.4 | 11.6 | 11.4 | 3.9 | 2.9 | 2.8 | 2.7 | 4.6 | 4.0 | 3.9 | 3.9 | 2.1 | 1.7 | 2.1 | 2.1 |
| P.E.I. | 1.5 | 1.2 | 1.4 | 1.1 | 1.1 | 1.8 | 0.9 | 1.0 | 11.3 | 11.5 | 11.1 | 10.9 | 0.9 | 0.6 | 0.7 | 0.6 | 3.2 | 1.3 | 3.7 | 3.8 | 2.0 | 2.0 | 2.2 | 2.1 |
| N.S. | -0.1 | 1.2 | 2.0 | 2.2 | 0.6 | -0.4 | 0.4 | 1.5 | 9.0 | 9.0 | 8.7 | 8.3 | 4.5 | 3.9 | 3.6 | 3.6 | 1.0 | 2.0 | 3.1 | 3.7 | 1.9 | 1.2 | 1.6 | 2.1 |
| N.B. | -1.1 | 0.3 | 1.0 | 1.4 | -0.2 | -0.1 | 0.5 | 0.5 | 10.2 | 10.4 | 10.2 | 10.0 | 3.3 | 2.8 | 2.6 | 2.8 | -0.7 | 0.1 | 3.0 | 3.0 | 1.7 | 0.8 | 1.9 | 2.0 |
| QUE. | 1.5 | 1.2 | 1.9 | 1.8 | 0.8 | 1.2 | 1.0 | 1.0 | 7.8 | 7.6 | 7.5 | 7.3 | 47.4 | 37.8 | 34.5 | 34.0 | 1.1 | 1.8 | 3.0 | 3.5 | 2.1 | 0.8 | 1.3 | 1.9 |
| ONT. | 1.3 | 1.4 | 2.5 | 2.9 | 0.8 | 1.4 | 0.9 | 1.2 | 7.8 | 7.5 | 7.3 | 7.0 | 76.7 | 61.1 | 59.1 | 58.0 | 1.6 | 1.8 | 3.8 | 3.9 | 1.4 | 1.1 | 1.5 | 1.9 |
| MAN. | 2.6 | 2.2 | 2.0 | 2.7 | 0.9 | 0.5 | 0.7 | 1.2 | 5.3 | 5.3 | 5.3 | 5.2 | 7.2 | 7.5 | 6.8 | 6.5 | 1.6 | 2.0 | 3.6 | 4.4 | 1.6 | 2.3 | 1.9 | 2.0 |
| SASK. | 1.9 | 3.9 | 2.0 | 2.7 | 2.1 | 3.4 | 1.1 | 1.7 | 4.7 | 4.0 | 4.2 | 4.0 | 10.0 | 8.3 | 8.0 | 7.5 | 7.6 | 3.0 | 4.7 | 5.1 | 1.6 | 1.4 | 2.3 | 2.5 |
| ALTA. | 3.8 | 3.5 | 3.7 | 3.5 | 2.6 | 2.9 | 2.3 | 2.0 | 4.6 | 4.6 | 4.3 | 4.0 | 33.4 | 36.0 | 38.7 | 34.6 | 6.9 | 6.6 | 5.2 | 5.1 | 1.1 | 1.4 | 1.5 | 1.7 |
| B.C. | 1.5 | 1.5 | 2.1 | 2.8 | 1.7 | -0.2 | 0.8 | 1.1 | 6.7 | 6.6 | 6.4 | 6.3 | 27.5 | 27.1 | 25.8 | 24.0 | 1.9 | 1.8 | 3.6 | 3.7 | 1.1 | -0.1 | 0.9 | 1.7 |
| CANADA | 1.7 | 2.0 | 2.5 | 2.7 | 1.2 | 1.3 | 1.1 | 1.2 | 7.2 | 7.1 | 6.8 | 6.6 | 215 | 188 | 182 | 174 | 2.5 | 2.5 | 3.8 | 4.0 | 1.5 | 0.9 | 1.4 | 1.9 |

Key provincial comparisons

2012 unless otherwise indicated

| | N. & L. | P.E.I. | N.S. | N.B. | QUE. | ONT. | MAN. | SASK. | ALTA. | B.C. |
|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Population (000s) (2013) | 527 | 145 | 941 | 756 | 8,155 | 13,538 | 1,265 | 1,108 | 4,025 | 4,582 |
| Gross domestic product (\$ billions) | 33.8 | 5.5 | 38.4 | 31.5 | 357.9 | 674.5 | 58.2 | 77.9 | 311.9 | 220.0 |
| Real GDP (\$2007 billions) | 27.6 | 4.9 | 36.0 | 28.1 | 327.2 | 619.3 | 54.6 | 58.6 | 288.5 | 209.0 |
| Share of provincial GDP of Canadian GDP (%) | 1.9 | 0.3 | 2.1 | 1.7 | 19.7 | 37.1 | 3.2 | 4.3 | 17.1 | 12.1 |
| Real GDP growth (CAR, 2007-12, %) | -1.5 | 1.2 | 1.2 | 0.2 | 1.4 | 0.7 | 2.1 | 2.3 | 2.2 | 1.2 |
| Real GDP per capita (\$ 2007) | 52,359 | 33,762 | 38,082 | 37,181 | 40,470 | 46,177 | 43,705 | 53,865 | 74,201 | 45,993 |
| Real GDP growth rate per capita (CAR, 2007-12, %) | -2.2 | 0.1 | 1.0 | -0.1 | 0.4 | -0.3 | 1.1 | 0.7 | 0.1 | 0.0 |
| Personal disposable income per capita (\$) | 30,461 | 26,115 | 27,063 | 26,793 | 26,347 | 29,745 | 26,995 | 31,363 | 38,761 | 30,474 |
| Employment growth (CAR, 2007-13, %) | 1.5 | 1.5 | 0.3 | -0.3 | 1.0 | 0.9 | 1.1 | 1.9 | 2.1 | 0.8 |
| Employment rate (Feb. 2014, %) | 54.2 | 61.6 | 57.7 | 56.9 | 60.0 | 61.0 | 64.4 | 66.7 | 69.9 | 59.4 |
| Discomfort index (inflation + unemp. rate, Jan. 2014) | 14.5 | 14.5 | 10.2 | 11.5 | 8.6 | 9.1 | 8.2 | 6.6 | 7.3 | 6.4 |
| Manufacturing industry output (% of GDP) | 3.1 | 8.9 | 8.4 | 10.3 | 13.7 | 12.7 | 10.0 | 6.0 | 7.2 | 6.7 |
| Personal expenditures on goods & services (% of GDP) | 43.0 | 69.4 | 69.3 | 63.4 | 57.6 | 56.2 | 57.4 | 40.7 | 41.0 | 64.0 |
| International exports (% of GDP) | 35.7 | 18.5 | 19.4 | 50.0 | 25.8 | 32.9 | 26.4 | 41.6 | 31.8 | 21.5 |

Tables

British Columbia

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 197,072 | 199,270 | 194,214 | 200,628 | 205,958 | 208,961 | 212,179 | 216,720 | 222,883 |
| | % change | 3.1 | 1.1 | -2.5 | 3.3 | 2.7 | 1.5 | 1.5 | 2.1 | 2.8 |
| Employment | thousands | 2,223 | 2,266 | 2,218 | 2,257 | 2,275 | 2,313 | 2,308 | 2,327 | 2,354 |
| | % change | 3.5 | 2.0 | -2.1 | 1.7 | 0.8 | 1.7 | -0.2 | 0.8 | 1.1 |
| Unemployment rate | % | 4.3 | 4.6 | 7.7 | 7.6 | 7.5 | 6.7 | 6.6 | 6.4 | 6.3 |
| Retail sales | \$ millions | 57,110 | 58,010 | 55,585 | 58,549 | 60,405 | 61,565 | 62,682 | 64,955 | 67,364 |
| | % change | 7.2 | 1.6 | -4.2 | 5.3 | 3.2 | 1.9 | 1.8 | 3.6 | 3.7 |
| Housing starts | units | 39,195 | 34,321 | 16,077 | 26,479 | 26,400 | 27,465 | 27,054 | 25,800 | 24,000 |
| | % change | 7.6 | -12.4 | -53.2 | 64.7 | -0.3 | 4.0 | -1.5 | -4.6 | -7.0 |
| Consumer price index | 2002=100 | 110.0 | 112.3 | 112.3 | 113.8 | 116.5 | 117.8 | 117.7 | 118.8 | 120.8 |
| | % change | 1.7 | 2.1 | 0.0 | 1.4 | 2.3 | 1.1 | -0.1 | 0.9 | 1.7 |

Alberta

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 259,087 | 263,515 | 252,811 | 264,164 | 277,940 | 288,548 | 298,763 | 309,936 | 320,920 |
| | % change | 1.7 | 1.7 | -4.1 | 4.5 | 5.2 | 3.8 | 3.5 | 3.7 | 3.5 |
| Employment | thousands | 1,991 | 2,054 | 2,025 | 2,017 | 2,094 | 2,150 | 2,211 | 2,263 | 2,308 |
| | % change | 3.9 | 3.1 | -1.4 | -0.4 | 3.8 | 2.6 | 2.9 | 2.3 | 2.0 |
| Unemployment rate | % | 3.5 | 3.6 | 6.6 | 6.5 | 5.5 | 4.6 | 4.6 | 4.3 | 4.0 |
| Retail sales | \$ millions | 61,528 | 61,668 | 56,546 | 59,910 | 64,005 | 68,452 | 72,942 | 76,758 | 80,635 |
| | % change | 9.9 | 0.2 | -8.3 | 5.9 | 6.8 | 6.9 | 6.6 | 5.2 | 5.1 |
| Housing starts | units | 48,336 | 29,164 | 20,298 | 27,088 | 25,704 | 33,396 | 36,011 | 38,700 | 34,600 |
| | % change | -1.3 | -39.7 | -30.4 | 33.5 | -5.1 | 29.9 | 7.8 | 7.5 | -10.6 |
| Consumer price index | 2002=100 | 117.9 | 121.6 | 121.5 | 122.7 | 125.7 | 127.1 | 128.9 | 130.9 | 133.1 |
| | % change | 4.9 | 3.2 | -0.1 | 1.0 | 2.4 | 1.1 | 1.4 | 1.5 | 1.7 |

Saskatchewan

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 52,253 | 55,183 | 52,553 | 54,756 | 57,479 | 58,581 | 60,889 | 62,131 | 63,834 |
| | % change | 3.5 | 5.6 | -4.8 | 4.2 | 5.0 | 1.9 | 3.9 | 2.0 | 2.7 |
| Employment | thousands | 504 | 513 | 519 | 524 | 526 | 537 | 555 | 561 | 571 |
| | % change | 2.4 | 1.7 | 1.3 | 0.9 | 0.3 | 2.1 | 3.4 | 1.1 | 1.7 |
| Unemployment rate | % | 4.2 | 4.1 | 4.8 | 5.2 | 5.0 | 4.7 | 4.0 | 4.2 | 4.0 |
| Retail sales | \$ millions | 13,248 | 14,848 | 14,804 | 15,336 | 16,489 | 17,749 | 18,287 | 19,142 | 20,122 |
| | % change | 13.9 | 12.1 | -0.3 | 3.6 | 7.5 | 7.6 | 3.0 | 4.7 | 5.1 |
| Housing starts | units | 6,007 | 6,828 | 3,866 | 5,907 | 7,031 | 9,968 | 8,290 | 8,000 | 7,500 |
| | % change | 61.7 | 13.7 | -43.4 | 52.8 | 19.0 | 41.8 | -16.8 | -3.5 | -6.3 |
| Consumer price index | 2002=100 | 112.2 | 115.9 | 117.1 | 118.7 | 122.0 | 123.9 | 125.7 | 128.6 | 131.8 |
| | % change | 2.9 | 3.2 | 1.1 | 1.3 | 2.8 | 1.6 | 1.4 | 2.3 | 2.5 |

Manitoba

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 49,265 | 51,157 | 51,048 | 52,379 | 53,269 | 54,633 | 55,857 | 56,974 | 58,535 |
| | % change | 2.9 | 3.8 | -0.2 | 2.6 | 1.7 | 2.6 | 2.2 | 2.0 | 2.7 |
| Employment | thousands | 599 | 608 | 608 | 620 | 624 | 630 | 633 | 638 | 645 |
| | % change | 1.7 | 1.7 | 0.0 | 1.9 | 0.8 | 0.9 | 0.5 | 0.7 | 1.2 |
| Unemployment rate | % | 4.4 | 4.2 | 5.2 | 5.4 | 5.4 | 5.3 | 5.3 | 5.3 | 5.2 |
| Retail sales | \$ millions | 14,130 | 15,143 | 15,127 | 16,029 | 16,758 | 17,018 | 17,355 | 17,972 | 18,767 |
| | % change | 9.1 | 7.2 | -0.1 | 6.0 | 4.5 | 1.6 | 2.0 | 3.6 | 4.4 |
| Housing starts | units | 5,738 | 5,537 | 4,174 | 5,888 | 6,083 | 7,242 | 7,465 | 6,800 | 6,500 |
| | % change | 14.1 | -3.5 | -24.6 | 41.1 | 3.3 | 19.1 | 3.1 | -8.9 | -4.4 |
| Consumer price index | 2002=100 | 110.9 | 113.4 | 114.1 | 115.0 | 118.4 | 120.3 | 123.0 | 125.3 | 127.8 |
| | % change | 2.1 | 2.2 | 0.6 | 0.8 | 2.9 | 1.6 | 2.3 | 1.9 | 2.0 |

Ontario

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 597,803 | 596,921 | 578,510 | 598,174 | 611,131 | 619,331 | 628,249 | 644,207 | 663,172 |
| | % change | 1.3 | -0.1 | -3.1 | 3.4 | 2.2 | 1.3 | 1.4 | 2.5 | 2.9 |
| Employment | thousands | 6,564 | 6,666 | 6,502 | 6,610 | 6,731 | 6,784 | 6,879 | 6,938 | 7,019 |
| | % change | 1.8 | 1.6 | -2.5 | 1.7 | 1.8 | 0.8 | 1.4 | 0.9 | 1.2 |
| Unemployment rate | % | 6.4 | 6.5 | 9.0 | 8.7 | 7.8 | 7.8 | 7.5 | 7.3 | 7.0 |
| Retail sales | \$ millions | 146,324 | 152,160 | 148,797 | 156,904 | 162,530 | 165,177 | 168,142 | 174,477 | 181,298 |
| | % change | 3.9 | 4.0 | -2.2 | 5.4 | 3.6 | 1.6 | 1.8 | 3.8 | 3.9 |
| Housing starts | units | 68,123 | 75,076 | 50,370 | 60,433 | 67,821 | 76,742 | 61,085 | 59,100 | 58,000 |
| | % change | -7.2 | 10.2 | -32.9 | 20.0 | 12.2 | 13.2 | -20.4 | -3.2 | -1.9 |
| Consumer price index | 2002=100 | 110.8 | 113.3 | 113.7 | 116.5 | 120.1 | 121.8 | 123.0 | 124.9 | 127.2 |
| | % change | 1.8 | 2.3 | 0.4 | 2.4 | 3.1 | 1.4 | 1.1 | 1.5 | 1.9 |

Quebec

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 305,874 | 311,626 | 309,683 | 316,886 | 322,442 | 327,161 | 331,218 | 337,643 | 343,856 |
| | % change | 1.8 | 1.9 | -0.6 | 2.3 | 1.8 | 1.5 | 1.2 | 1.9 | 1.8 |
| Employment | thousands | 3,834 | 3,880 | 3,848 | 3,915 | 3,954 | 3,984 | 4,032 | 4,072 | 4,114 |
| | % change | 2.4 | 1.2 | -0.8 | 1.7 | 1.0 | 0.8 | 1.2 | 1.0 | 1.0 |
| Unemployment rate | % | 7.2 | 7.2 | 8.5 | 8.0 | 7.8 | 7.8 | 7.6 | 7.5 | 7.3 |
| Retail sales | \$ millions | 90,403 | 94,809 | 93,736 | 99,551 | 102,505 | 103,648 | 105,523 | 108,694 | 112,544 |
| | % change | 4.5 | 4.9 | -1.1 | 6.2 | 3.0 | 1.1 | 1.8 | 3.0 | 3.5 |
| Housing starts | units | 48,553 | 47,901 | 43,403 | 51,363 | 48,387 | 47,367 | 37,758 | 34,500 | 34,000 |
| | % change | 1.4 | -1.3 | -9.4 | 18.3 | -5.8 | -2.1 | -20.3 | -8.6 | -1.4 |
| Consumer price index | 2002=100 | 110.4 | 112.7 | 113.4 | 114.8 | 118.3 | 120.8 | 121.7 | 123.3 | 125.7 |
| | % change | 1.6 | 2.1 | 0.6 | 1.3 | 3.0 | 2.1 | 0.8 | 1.3 | 1.9 |

Tables

New Brunswick

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 27,869 | 28,125 | 27,811 | 28,381 | 28,460 | 28,146 | 28,242 | 28,524 | 28,923 |
| | % change | 0.5 | 0.9 | -1.1 | 2.0 | 0.3 | -1.1 | 0.3 | 1.0 | 1.4 |
| Employment | thousands | 357 | 359 | 360 | 356 | 352 | 351 | 351 | 353 | 355 |
| | % change | 1.9 | 0.6 | 0.1 | -1.0 | -1.1 | -0.2 | -0.1 | 0.5 | 0.5 |
| Unemployment rate | % | 7.5 | 8.5 | 8.8 | 9.3 | 9.5 | 10.2 | 10.4 | 10.2 | 10.0 |
| Retail sales | \$ millions | 9,415 | 10,028 | 10,105 | 10,608 | 11,118 | 11,041 | 11,058 | 11,385 | 11,725 |
| | % change | 6.2 | 6.5 | 0.8 | 5.0 | 4.8 | -0.7 | 0.1 | 3.0 | 3.0 |
| Housing starts | units | 4,242 | 4,274 | 3,521 | 4,101 | 3,452 | 3,299 | 2,843 | 2,600 | 2,800 |
| | % change | 3.8 | 0.8 | -17.6 | 16.5 | -15.8 | -4.4 | -13.8 | -8.5 | 7.7 |
| Consumer price index | 2002=100 | 111.3 | 113.2 | 113.5 | 115.9 | 120.0 | 122.0 | 123.0 | 125.3 | 127.8 |
| | % change | 1.9 | 1.7 | 0.3 | 2.1 | 3.5 | 1.7 | 0.8 | 1.9 | 2.0 |

Nova Scotia

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 33,907 | 34,625 | 34,753 | 35,806 | 36,029 | 35,990 | 36,436 | 37,165 | 37,983 |
| | % change | 1.3 | 2.1 | 0.4 | 3.0 | 0.6 | -0.1 | 1.2 | 2.0 | 2.2 |
| Employment | thousands | 448 | 452 | 451 | 452 | 453 | 456 | 454 | 456 | 462 |
| | % change | 1.6 | 0.9 | -0.1 | 0.2 | 0.1 | 0.6 | -0.4 | 0.4 | 1.5 |
| Unemployment rate | % | 7.9 | 7.7 | 9.2 | 9.3 | 8.8 | 9.0 | 9.0 | 8.7 | 8.3 |
| Retail sales | \$ millions | 11,639 | 12,121 | 12,141 | 12,692 | 13,146 | 13,274 | 13,540 | 13,964 | 14,476 |
| | % change | 4.3 | 4.1 | 0.2 | 4.5 | 3.6 | 1.0 | 2.0 | 3.1 | 3.7 |
| Housing starts | units | 4,750 | 3,982 | 3,438 | 4,309 | 4,644 | 4,522 | 3,919 | 3,600 | 3,600 |
| | % change | -3.0 | -16.2 | -13.7 | 25.3 | 7.8 | -2.6 | -13.3 | -8.1 | 0.0 |
| Consumer price index | 2002=100 | 112.5 | 115.9 | 115.7 | 118.2 | 122.7 | 125.1 | 126.6 | 128.6 | 131.2 |
| | % change | 1.9 | 3.0 | -0.1 | 2.2 | 3.8 | 1.9 | 1.2 | 1.6 | 2.1 |

Prince Edward Island

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Real GDP | Chained \$2007 millions | 4,620 | 4,658 | 4,678 | 4,783 | 4,829 | 4,901 | 4,962 | 5,031 | 5,087 |
| | % change | 2.2 | 0.8 | 0.4 | 2.2 | 1.0 | 1.5 | 1.2 | 1.4 | 1.1 |
| Employment | thousands | 69 | 70 | 69 | 71 | 72 | 73 | 74 | 75 | 76 |
| | % change | 0.7 | 1.2 | -1.4 | 3.0 | 1.9 | 1.1 | 1.8 | 0.9 | 1.0 |
| Unemployment rate | % | 10.3 | 10.7 | 12.0 | 11.1 | 11.4 | 11.3 | 11.5 | 11.1 | 10.9 |
| Retail sales | \$ millions | 1,624 | 1,707 | 1,687 | 1,777 | 1,873 | 1,934 | 1,959 | 2,031 | 2,107 |
| | % change | 7.4 | 5.1 | -1.2 | 5.3 | 5.4 | 3.2 | 1.3 | 3.7 | 3.8 |
| Housing starts | units | 750 | 712 | 877 | 756 | 940 | 941 | 636 | 700 | 600 |
| | % change | 1.6 | -5.1 | 23.2 | -13.8 | 24.3 | 0.1 | -32.4 | 10.1 | -14.3 |
| Consumer price index | 2002=100 | 113.6 | 117.5 | 117.3 | 119.5 | 123.0 | 125.5 | 128.0 | 130.8 | 133.5 |
| | % change | 1.8 | 3.4 | -0.1 | 1.8 | 2.9 | 2.0 | 2.0 | 2.2 | 2.1 |

Newfoundland & Labrador

| | | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013F | 2014F | 2015F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 29,715 | 29,369 | 26,464 | 28,033 | 28,850 | 27,585 | 29,251 | 29,690 | 30,195 |
| | % change | 9.3 | -1.2 | -9.9 | 5.9 | 2.9 | -4.4 | 6.0 | 1.5 | 1.7 |
| Employment | thousands | 216 | 219 | 212 | 219 | 225 | 231 | 233 | 235 | 238 |
| | % change | 0.8 | 1.1 | -3.0 | 3.4 | 2.7 | 2.3 | 1.0 | 0.9 | 1.5 |
| Unemployment rate | % | 13.5 | 13.2 | 15.5 | 14.4 | 12.7 | 12.5 | 11.4 | 11.6 | 11.4 |
| Retail sales | \$ millions | 6,535 | 7,019 | 7,124 | 7,446 | 7,841 | 8,200 | 8,524 | 8,858 | 9,206 |
| | % change | 8.6 | 7.4 | 1.5 | 4.5 | 5.3 | 4.6 | 4.0 | 3.9 | 3.9 |
| Housing starts | units | 2,649 | 3,261 | 3,057 | 3,606 | 3,488 | 3,885 | 2,862 | 2,800 | 2,700 |
| | % change | 18.6 | 23.1 | -6.3 | 18.0 | -3.3 | 11.4 | -26.3 | -2.2 | -3.6 |
| Consumer price index | 2002=100 | 111.1 | 114.3 | 114.6 | 117.4 | 121.4 | 123.9 | 126.0 | 128.6 | 131.3 |
| | % change | 1.4 | 2.9 | 0.3 | 2.4 | 3.4 | 2.1 | 1.7 | 2.1 | 2.1 |

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