



ONTARIO'S ECONOMY TO TOP CANADA'S PROVINCIAL GROWTH RANKINGS IN 2015: RBC ECONOMICS

TORONTO, March 12, 2015 — Ontario is expected to top provincial economic growth rankings in 2015, something that has not happened since 2000, according to the latest RBC Economics [Provincial Outlook](#) released today.

RBC forecasts real GDP growth for the province to accelerate from an estimated 2.5 per cent in 2014 to a five-year-best rate of 3.3 per cent in 2015, before easing modestly in 2016 to 2.7 per cent. These forecasted rates represent upward revisions from the numbers published in the December report – 3.1 per cent for 2015 and 2.3 per cent for 2016.

RBC notes that economic developments over the past several months have been overwhelmingly favourable for Ontario's economy.

"The plunge in oil prices, sliding value of the Canadian dollar, surprise interest rate cut by the Bank of Canada and mounting evidence of the U.S. economy hitting its stride – these factors should all boost growth in Ontario," said Craig Wright, senior vice-president and chief economist, RBC. "The positive effects from the drop in oil prices and related developments will coalesce at a time when the provincial economy is already displaying rising momentum."

In 2014, there was clear evidence that activity picked up, particularly in the trade sector where merchandise exports grew by an 8.0 per cent in nominal terms. Also encouraging, nearly all major export categories recorded gains, including consumer goods (up 14.4 per cent) and motor vehicles and parts (up 8.5 per cent).

Despite a weak start to the year because of poor weather, housing was another sector that showed surprising strength in 2014. Early signs suggest that home resale activity started 2015 on strong footing. RBC says consumer spending is also off to a solid start, with motor vehicle sales building on an 11.5 per cent surge recorded last year.

Lower oil prices and a sharply weaker dollar will further energize external trade and the consumer sector in 2015.

"We anticipate that Ontario's exports will continue to make headway into the U.S. market and lower gasoline prices will put more spendable money in the pockets of consumers," said Wright. "Low interest rates and a growing economy will also maintain a positive backdrop for the housing market, and we expect further increases in home resales and housing construction this year."

One sector still underperforming last year was non-residential investment, where capital expenditures by businesses remained quite stagnant despite an increase in machinery and equipment purchases. The combination of relatively weak capital spending over the past many years and closures of productive capacity in the province's manufacturing sector raised concerns about Ontario's businesses' ability to capitalize on opportunities, at home and abroad, and, therefore, Ontario economy's ability to grow. RBC says that, with exception of the auto sector, there remains sufficient spare capacity in Ontario's economy to accommodate a spurt in growth of the order of 3.3 per cent in 2015 and 2.7 in 2016.

"Any capacity constraint is unlikely to be a severe issue at this stage and, if anything, the emergence of capacity related pressures should encourage firms to invest in the province," added Wright.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at rbc.com/economics/economic-reports/provincial-economic-forecasts.html.

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