



EXPORTS, TOURISM, CONSUMER SPENDING AND HOUSING TO DRIVE ONTARIO'S ECONOMIC GROWTH IN 2015: RBC ECONOMICS

TORONTO, June 3, 2015 — After gaining momentum in 2014, Ontario's economic expansion appears to be on track for further acceleration in 2015 – though the pace now looks less likely to be as vigorous as previously thought, according to the RBC's latest [Provincial Outlook](#) report released today.

Job creation in the province to date has been somewhat weaker than anticipated, prompting RBC to revise its real GDP growth forecast slightly to a still-brisk 2.8 per cent in 2015 from the nation-leading 3.3 per cent previously projected in March. RBC believes that part of the growth originally expected to materialize in 2015 will be delayed into 2016, and therefore has upwardly revised its growth forecast for next year – to 3.0 per cent from 2.7 per cent.

“Ontario's growth in 2015 will be driven in part by solid merchandise export activity and a boost to the tourism sector from the Pan Am and Parapan Am Games this summer in the Greater Toronto Area, which will add a strong services component,” said Craig Wright, senior vice-president and chief economist, RBC. “A dynamic household sector in early 2015 also signals consumer spending and housing contributing considerably provincial economic expansion this year.”

RBC notes that retooling downtime hampered production at Ontario auto assembly plants and unusually poor weather south of the border posed challenges for exports into the United States in Q1 2015. Still, provincial exporters continued to operate at high levels – nominal exports were 9.4 per cent above year-ago levels with strong rises registered by major export categories, including: industrial machinery, electrical and electronic products, motor vehicle and parts, and consumer goods.

“Prospects still look bright for Ontario's export sector thanks to expected strengthening U.S. demand and improved competitiveness arising from a lower value of the Canadian dollar,” added Wright. “Additionally, the pending completion of retooling work in the auto sector will provide a boost to motor vehicle production and exports later this year.”

The report indicates that on the services side, the Pan Am and Parapan Am Games – the world's third largest multi-sport games to be held in the GTA in July and August – will give a significant boost to tourism in the province.

Modest job creation does not seem to be holding Ontario households back, as indicators suggest consumers felt confident enough to make major purchases so far in 2015. RBC notes this was certainly the case for buying existing homes, as units sold tracked more than 12 per cent above year-ago levels during the first quarter of 2015. In turn, supercharged housing activity fuelled Ontario's segments of the retail trade sector – including furniture, appliances and building materials.

“Such strength in household spending is somewhat surprising considering the lacklustre performance to date of Ontario’s labour market – employment growth has been at an anemic 0.5 per cent so far this year, with the increase coming from part-time jobs,” said Wright.

Also surprising, RBC says, was the strength of housing demand in the face of sharply weakening net migration flows and slowing population growth. While migration flows are expected to begin recovering in the period ahead – likely at the expense of Alberta – RBC says demographic factors will likely place upper limits on future housing activity growth in the province.

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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