



DESPITE SOME EARLY HICCUPS IN 2015, SIGNS OF FAIRLY SOLID GROWTH AHEAD FOR ONTARIO'S ECONOMY: RBC ECONOMICS

TORONTO, September 22, 2015 — Despite some earlier disappointments, Ontario's export-dependent economy appears ready to pick up the pace in the final stretch of 2015, and is headed for a fairly robust performance in 2016, according to RBC's latest [Provincial Outlook](#) report released today.

As economic activity earlier this year was weaker than anticipated, RBC reduced its real GDP growth forecast to 2.1 per cent in 2015 from the 2.8 per cent projected in June. Unusually poor weather conditions in the U.S., coupled with disruptions in Ontario's auto sector this past winter and spring, tempered solid residential investment and consumer spending, and threw a wrench into provincial manufacturing production and exports in early 2015, according to the report.

"It wasn't the liftoff that we had hoped for Ontario's economy early in 2015, but there are some positive signs for manufacturing, the labour market, and the auto sector, which bode well for the province's growth prospects in the final months of the year," said Craig Wright, senior vice-president and chief economist, RBC. "In fact, with a strong U.S. economy and the low Canadian dollar providing substantial stimulus, we think Ontario's economy is poised to grow at its strongest pace in five years in 2016."

With one-off impediments to growth largely behind Ontario, and with the economic boost provided by the Pan Am and Parapan Am Games in the Toronto area, RBC notes that the ramping up of growth likely was already underway this summer.

"We project the faster pace to more clearly show through into 2016," Wright said. "Evidence has started to emerge that the unexpected softening in manufacturing production will be temporary."

Motor vehicle production, which was hampered earlier this year by retooling downtime at two assembly plants in the province, rebounded in June and especially in July (when units climbed solidly 7.1 per cent above year-ago levels). The report notes that the industry likely brought forward the timing of retooling this year (usually mid- to late-summer) and that it will make up for earlier losses in the coming months.

“With North American motor vehicle sales still firmly on an upward track and reaching a 10-year high in the second quarter of this year, we expect Ontario’s auto industry to be quite busy in the period ahead,” Wright said.

On the labour front, after a disappointing start to the year with employment rising by just 3,000 from January to April — 54,000 net new jobs were created between April and August 2015. More importantly, according to RBC, is the fact that full-time employment rose by 94,000 (1.7 per cent) in the four months ending in August (part-time jobs fell by 40,000 during this interval), or more than double the gain of 42,000 full-time employed persons in the first four months of this year. Full-time employment in Ontario is on pace to increase the most since 2002.

“Improved full-time employment prospects are no doubt among the factors fuelling the solid consumer spending that we’re seeing in Ontario,” Wright said.

New motor vehicle sales in Ontario which were running 5.2 per cent ahead of year-ago levels in the first half of this year are poised to beat their all-time high of 733,000 units set last year.

Consumer strength also extends to residential properties. Existing home sales were close to record-high levels this past spring and summer, along with solid growth in the new home market. Despite a surge in completions earlier this year, housing starts were up by 9.3 per cent from a year ago in the first eight months of 2015. RBC expects housing starts to rise to 64,900 units in 2015, which would be the strongest total in three years.

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.

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