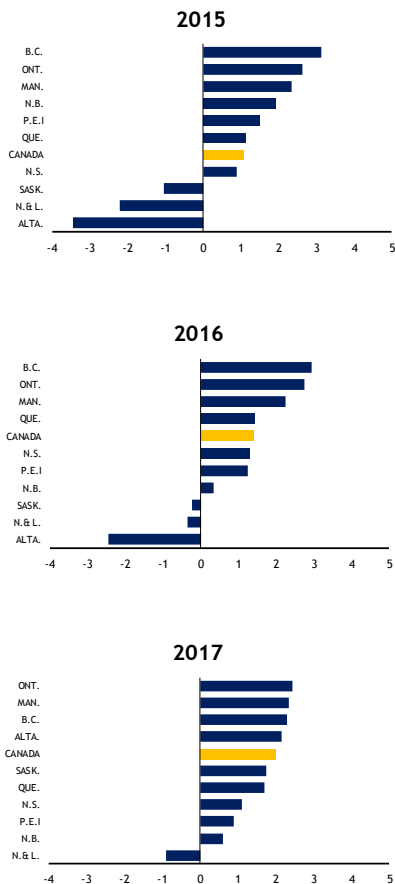


PROVINCIAL OUTLOOK

June 2016

Real GDP growth

% change



Source: Statistics Canada, RBC Economics Research

Paul Ferley
Assistant Chief Economist
416-974-7231
paul.ferley@rbc.com

Robert Hogue
Senior Economist
416-974-6192
robert.hogue@rbc.com

Gerard Walsh
Economist
416-974-6525
gerard.walsh@rbc.com

Complex adjustments still ongoing across provinces in 2016

- The outlook for provincial economies continues to vary substantially across Canada.
- Oil-producing provinces face another year of contraction of activity in 2016; whereas, all oil-consuming provinces are set to grow, and quite vigorously in the case of British Columbia, Ontario, and to a lesser extent, Manitoba.
- We have lowered our 2016 GDP forecast for Alberta to -2.5% from -1.6% previously to reflect a weaker than expected start to 2016 and the negative effects of the horrific wildfires that devastated Fort McMurray and disrupted oil sands products in May.
- On the other hand, we have slightly boosted our GDP growth forecasts for a few provinces in 2016, including Ontario and British Columbia, to reflect stronger than expected activity—especially in the household sector—in the early months of 2016.
- Our provincial growth rankings for 2016 continue to place British Columbia in first position with a growth rate of 3.0%, followed by Ontario (2.8%) and Manitoba (2.3%). Because we downgraded our national growth forecast to 1.4% (from 1.8% previously), Quebec (1.5%) has become the only other province that we project to grow at a faster rate than the national average. Along with Alberta, we expect the economies of Newfoundland and Labrador and Saskatchewan to contract slightly in 2016.
- We have also made several modest changes to our 2017 outlook for the provinces, which were in keeping with downward revisions that we made to our macroeconomic assumptions (we now expect the national economy to grow by 2.0% next year, which is down from our previous forecast of 2.3%). The majority of these changes have resulted in slightly slower expected provincial growth next year, except for Alberta where we boosted growth to account for the rebuilding work in Fort McMurray and a lower base for oil production in 2016.

More of the same in 2016

The complex adjustments to sharply lower energy oil prices that provincial economies began to undergo in 2015 will continue to unfold in 2016, and we expect that they will result in a marked divergence in provincial growth rates similar to what we saw last year—with oil-producing provinces mired in recession at one end of the spectrum, and a trio of oil-consuming provinces seeing material growth at the other end. Despite recent increases in oil prices, our working assumption is that they will stay at weak enough levels—the West Texas Intermediate (WTI) benchmark averaging US\$41/barrel in 2016—to constrain revenues and lead to further substantial declines in capital spending in the energy sector in 2016. Such would continue to weigh heavily on the performance of oil-producing provinces. On the other hand, oil-consuming provinces such as British Columbia, Ontario, and to a lesser extent, Manitoba will continue to lead growth thanks to accommodative interest rates, low energy costs, a depreciated Canadian dollar, and improved US demand.

Capital expenditure intentions disappoint

The poor outlook for capital expenditures in the energy sector was corroborated by the recent release of Statistics Canada's survey of capital expenditure intentions (CAPEX survey), which showed that oil and gas extraction firms plan to cut their capital spending by 26% in 2016, which would be on the heels of an even larger reduction of 35% in 2015, much of it taking place in Alberta. While continued retrenchment in this sector was widely anticipated, the CAPEX survey also revealed downbeat intentions by firms in other private-sector industries across Canada, which was disappointing to see. Quebec and Nova Scotia are the only two provinces where the private sector plans to boost its spending in 2016. Higher public sector expenditures will fill at least part of the gap in most provinces, however.

Brimming with confidence

All signs point to British Columbia holding on to the top spot in the provincial growth rankings in 2016. Recent economic data—including impressive job market statistics—suggest that the solid momentum that we saw in 2014 and 2015 has carried into 2016. We project economic growth to be 3.0% or greater for the third consecutive year in 2016 at 3.0%, fuelled primarily by domestic sources but with external sources playing an increasing role as the year progresses. Upbeat BC households, in particular, are poised to generate substantial activity again in the retail, services, and housing sectors, as they have done in the past two years. For their part, businesses are set to boost capital spending in many industries in the province, although the challenges facing the energy sector are likely to remain a short-term limiting factor. While British Columbia’s external trade sector has been less robust than we expected to date, steady increases in non-energy exports augur well for a stronger contribution to growth once conditions for energy exports stabilize. In fact, we expect exports to be a key driver of our forecasted growth rate of 2.3% in 2017.

British Columbians are in the mood for spending...

British Columbians should feel quite upbeat these days and for good reasons. The provincial labour market is arguably the strongest in Canada so far in 2016, thanks to a vigorous job creation spurt of 110,000 during the past 12 months and, as of April, the lowest unemployment rate in the country (5.8%). The other reason that should put many British Columbians in a good mood is that the value of their biggest asset—their house—has increased. Big time! In the past year, home prices have surged by 18% in the province. In Vancouver—Canada’s hottest housing market—home prices are up by more than 25% year over year. No doubt, many of the 70% of BC households who are home owners must feel wealthier. The province’s retailers certainly do not mind. Retail sales continue to be strong so far in 2016 (up 7% year to date), following two years of robust gains. Car dealerships especially are riding high. New vehicle sales in the province continued to rise by more than 10% in the first four months of 2016 from record-high levels in 2015. We project retail sales to continue to grow vigorously by 5.3% in 2016.

...and buying homes

For many of the same reasons, we expect that housing will remain a key contributor to economic growth in British Columbia this year. With healthy job market conditions, confident households, and strengthening population growth (fuelled by positive in-migration) poised to sustain solid housing demand, we expect a forceful response by builders to boost supply, which is chronically short of demand in markets such as Vancouver. We forecast housing starts to rise to a 23-year high of 40,500 units in 2016 from 31,400 units in 2015.

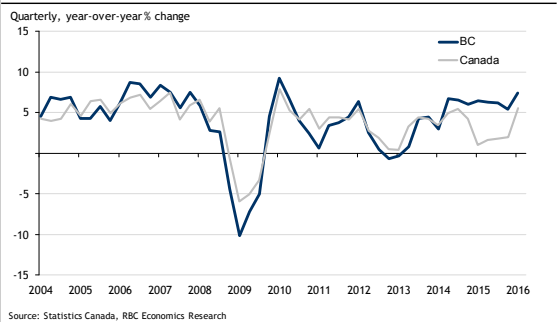
Capital investment slated to rise outside the energy sector

The recently released survey of investment intentions by Statistics Canada revealed that capital spending by firms in the energy sector will continue to fall (by 19%) in British Columbia in 2016; however, investments outside the energy sector are slated to edge slightly higher by 0.3%, led by strong increases in the retail and transportation services industries, as well as in the public sector.

BC: Employment



BC: Retail sales



British Columbia forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|------------------------|--------|--------|--------|--------|--------|--------|
| Real GDP | 2.5 | 2.1 | 3.2 | 3.1 | 3.0 | 2.3 |
| Nominal GDP | 2.1 | 2.3 | 4.7 | 4.4 | 4.7 | 4.7 |
| Employment | 1.6 | 0.1 | 0.6 | 1.2 | 2.2 | 1.1 |
| Unemployment rate (%) | 6.8 | 6.6 | 6.1 | 6.2 | 6.1 | 5.6 |
| Retail sales | 1.9 | 2.4 | 5.6 | 6.0 | 5.3 | 4.1 |
| Housing starts (units) | 27,465 | 27,054 | 28,356 | 31,446 | 40,500 | 35,300 |
| Consumer price index | 1.1 | -0.1 | 1.0 | 1.1 | 1.8 | 2.1 |

Robert Hogue
Senior Economist



Cannot catch a break

It seems that Alberta cannot catch a break these days. Already facing tremendous adversity since oil prices plummeted in mid-2014, the province received another blow in May 2016 when horrific wildfires devastated large parts of Fort McMurray and disrupted major oil sands operations in the region. While the full extent of the economic costs of the fires is still largely unknown, we assume that it will translate into a loss of approximately 0.5 percentage points for Alberta’s real gross domestic product (GDP) in 2016. We have lowered our economic growth forecast for 2016 by a greater extent— to -2.5% from -1.6% in the March Provincial Outlook report—however, because conditions were weaker than we expected prior to the wildfires. If there can be a silver lining for gut-wrenching disasters such as this, however, it is that growth in 2017 is likely to be stronger than previously expected due to the lower oil production base in 2016 and rebuilding work that will take place in Fort McMurray. We have revised our 2017 growth forecast upwardly to 2.2% from 2.0% previously.

Forest fires another blow to the provincial economy

The horrific wildfires that caused the evacuation of Fort McMurray—the residential hub for oil sands operations—at the beginning of May 2016 took an enormous toll on many families and businesses, many of whom saw their properties destroyed. Although the fires did not damage oil sands production and transportation infrastructures, nearly half of oil sands capacity was shut down during the month of May—both for precautionary reasons and to allow workers (many of them Fort McMurray evacuees) to deal with difficult personal matters. The situation remained fluid at the time of writing, with large oil sands projects still partly or entirely offline, and the extent and timeline of reconstruction work on destroyed properties still largely unknown. Nonetheless, we estimate that the loss of oil production due to the fires, alone, will knock between 0.8 percentage points and 1.2 percentage points off Alberta’s 2016 growth (depending on the speed that oil sands production returns to pre-crisis levels). We expect some offset from reconstruction work to kick in during the second half of 2016 that will temper the overall hit to the economy from the energy sector in 2016. At this juncture, our working assumption is that the net effect of the fires will slice approximately 0.5 percentage point from Alberta’s real GDP growth in 2016.

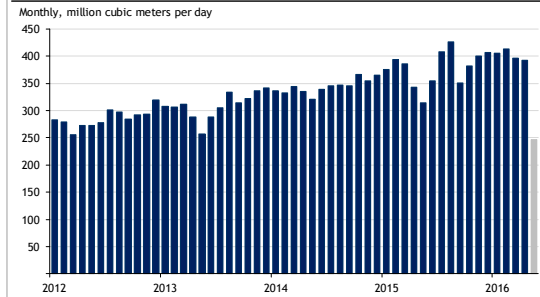
Tougher 2015 than expected...

The first set of provincial GDP estimates for 2015 released recently by Statistics Canada showed that Alberta’s recession last year was much deeper than we had believed with real GDP by industry plummeting by 4.0% in 2015 (our most recent forecast was -1.8%). The estimates confirmed the sharp downturns in engineering construction, oil and gas services, and manufacturing; however, it revealed greater weakness than we anticipated in several service industries, including in wholesale and retail trade, and accommodation and food services.

...but improved outlook for 2017

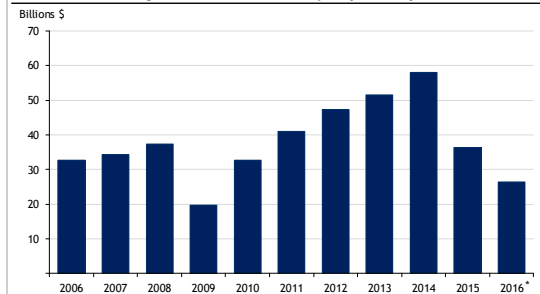
Looking ahead to 2017, we expect Alberta’s economy finally to grow again after two very difficult years. While short-term prospects for major investments in the energy sector remain grim—despite oil prices gaining ground—the outlook for oil production is positive, with the lower base in 2016 setting up for a stronger rate of increase in 2017 than we had previously expected. The rebuilding of Fort McMurray will also contribute to growth next year and beyond.

Alberta: Non-conventional oil production



Source: National Energy Board, RBC Economics Research

Alberta: Oil and gas extraction industry capital expenditures



*Intentions
Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|------------------------|--------|--------|--------|--------|--------|--------|
| Real GDP | 3.9 | 5.1 | 4.8 | -3.5 | -2.5 | 2.2 |
| Nominal GDP | 4.3 | 10.2 | 9.1 | -12.1 | -5.4 | 10.8 |
| Employment | 3.5 | 2.5 | 2.2 | 1.2 | -1.8 | 0.9 |
| Unemployment rate (%) | 4.6 | 4.6 | 4.7 | 6.0 | 7.9 | 7.2 |
| Retail sales | 7.0 | 6.9 | 7.5 | -4.6 | -3.4 | 2.0 |
| Housing starts (units) | 33,396 | 36,011 | 40,590 | 37,282 | 24,100 | 25,000 |
| Consumer price index | 1.1 | 1.4 | 2.6 | 1.2 | 1.3 | 2.1 |

Robert Hogue
Senior Economist

Activity weighed down by low oil prices

As a major oil-producing province, Saskatchewan has been negatively affected by the drop in oil prices. Although greater economic diversification compared to Alberta and Newfoundland and Labrador (Canada’s other major oil-producing provinces) has helped temper the negative shock in the province, it did not prevent GDP growth in Saskatchewan from declining by an estimated 1.1% in 2015. Low oil prices and attendant reductions in capital expenditure within the province’s energy sector are expected to continue to weigh on growth this year and result in overall GDP declining again in 2016, albeit marginally by 0.2%. The projected recovery in agricultural production is the main factor preventing a more significant drop in activity in 2016. Our assumption of a recovery in oil prices, on an annual average basis, next year contributes to 2017 GDP growth turning positive rising 1.8%.

2016 growth revised lower

We have revised downward our GDP growth forecast significantly in Saskatchewan this year from the 1.2% increase projected in the March issue of Provincial Outlook. This is in part a reflection of indications of worsening labour market conditions with employment growth turning negative in the early months of 2016. This has contributed to the unemployment rate rising to 5.9% in the first quarter from the 5.5% that prevailed in the final quarter of 2015 and the 2015 average of 5.0%. The downward revision to growth is also the reflection of disappointing capital expenditure survey numbers that have been recently released. These survey numbers implied that overall capital expenditure is likely to decline by 18% in 2016, which would represent little change from the sizeable 17% drop recorded in 2015. Our previous assumption had been for the pace of decline to ease in 2016. Weak investment intentions this year are largely concentrated in the energy sector reflecting low oil prices. Our expectation is oil prices will recover on a sustained basis in 2017, and that would be consistent with a cessation of declining investment activity next year.

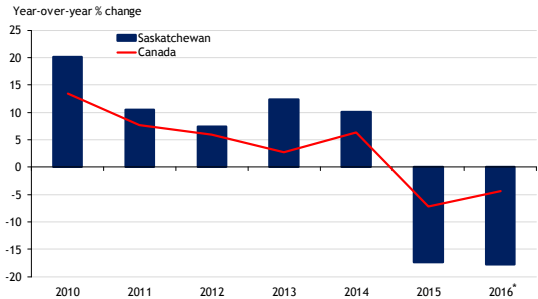
Potash production hurt by weak demand

The persistence of low oil prices this year is expected to result in oil production continuing to decline in 2016. The mining sector is also expected to be weighed down by indications of cutbacks in potash production as the market confronts weakening global demand and low prices for this key input to agricultural fertilizers. While potash production was up almost 16% in 2015, there was a clear slowing pattern during the year. We assume that these declines will persist during 2016 with activity dropping by about 8%. We expect potash production to stabilize in 2017 and reflect expected strengthening in global growth next year.

Agricultural production projected to rebound

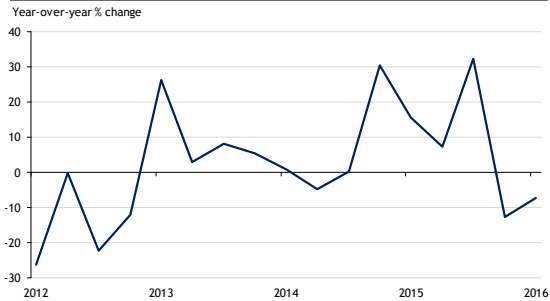
The main offset to these expected areas of declining activity is strengthening agricultural production. This sector was hampered by adverse growing conditions in 2015 that resulted in output in the sector declining marginally by 0.5%. Our assumption of a return to more ‘normal’ weather conditions this year and next is projected to result in activity in the sector rebounding by 8.0% in 2016 and 4.0% in 2017. If the projected rebound in agricultural production this year were derailed by another year of adverse weather conditions, then it could result in overall GDP activity declining more significantly for a second consecutive year.

Saskatchewan: Total capital expenditures



*Intentions
Source: Statistics Canada, RBC Economics Research

Saskatchewan: Potash production



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

| % change unless otherwise indicated | | | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|--|
| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F | |
| Real GDP | 1.7 | 5.8 | 1.9 | -1.1 | -0.2 | 1.8 | |
| Nominal GDP | 4.2 | 7.1 | -0.9 | -6.0 | 0.3 | 6.3 | |
| Employment | 2.4 | 3.1 | 1.0 | 0.5 | -1.4 | 0.4 | |
| Unemployment rate (%) | 4.7 | 4.1 | 3.8 | 5.0 | 6.7 | 6.6 | |
| Retail sales | 7.4 | 5.1 | 4.6 | -3.5 | -0.2 | 3.1 | |
| Housing starts (units) | 9,968 | 8,290 | 8,257 | 5,149 | 4,900 | 6,800 | |
| Consumer price index | 1.6 | 1.4 | 2.4 | 1.6 | 1.8 | 2.9 | |

Paul Ferley
Assistant Chief Economist



Carrying positive momentum into 2016

Recently released preliminary estimates of 2015 provincial GDP growth for Manitoba indicated greater-than-assumed 2.3% growth in the province last year compared to the 1.8% that we had penciled in previously. A key source of unexpected strength was construction spending, which grew almost 10% and was more than double the rate we had been assumed. Although the pace of construction spending is projected to moderate during the forecast, the sector is still expected to be a main contributor to growth in the province. This, along with an expected strengthening in other areas of the Manitoba economy, such as manufacturing, is expected to result in the economy generally maintaining last year's pace during the forecast period rising by 2.3% in 2016 and 2.4% in 2017.

Business investment expected to continue to support growth

Confidence that investment spending will continue to be an important contributor to growth was provided by the recently released CAPEX survey numbers. The report indicated that, although nominal construction spending was expected to slow relative to 2015's impressive increase of 19.4%, the projected 2016 rise in construction spending of 7.0% still represented a solid increase and outpaced most other provinces. The survey results are consistent with indications of ongoing major expenditures by Manitoba Hydro on both the Keeyask Generating Station and the Bipole III Transmission Line. The increase is also consistent with anecdotal reports that expenditure will get underway this year on a major commercial-residential project in downtown Winnipeg, with spending on this development expected to continue for a number of years.

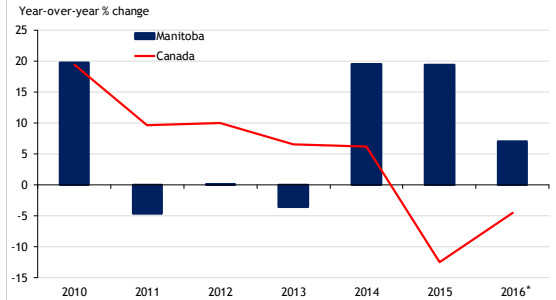
Manufacturing activity expected to strengthen

Although manufacturing sales activity in Manitoba disappointingly declined by 1.5% in 2015, the quarterly detail indicated positive growth, on a year-over-year basis, in the final quarter of 2015. Encouragingly, data during the first quarter of 2016 indicated that growth has continued with the pace rising marginally. Rising manufacturing activity has been long anticipated to benefit from expected increased export demand via solid US domestic spending and a depreciating Canadian dollar. These factors have been contributing to strengthening some manufacturing sub-sectors such as transportation equipment and furniture products; however, this had been more than offset by weakness in areas of manufacturing such as machinery and fabricated metals that were more dependent on the sizeable energy sector in Manitoba's neighbouring provinces of Alberta and Saskatchewan. The improvement in manufacturing activity in the last two quarters has reflected some easing in the weakness in these latter areas. Our forecast assumes that the supportive factors of strong US demand and a weak Canadian dollar will increasingly dominate activity in the manufacturing sector in Manitoba and contribute to modest growth on a volumes basis of 3.0% to 4.0% during the next two years.

Growth in agriculture to continue at a more moderate pace

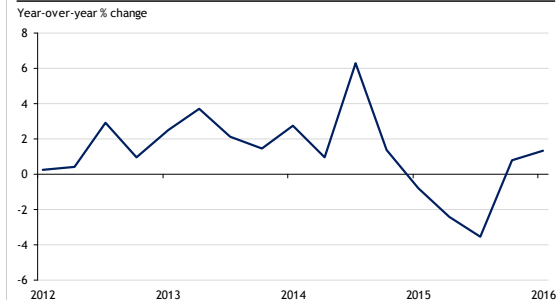
The agricultural sector was also an important contributor to growth in 2015, with the volume of activity rising by almost 9%. The assumption of normal growing conditions during the forecast implies continued increases in output although with the pace expected to moderate to 5.5% this year and 2.0% in 2017.

Manitoba: Capital expenditures, construction



*Intentions
Source: Statistics Canada, RBC Economics Research

Manitoba: Manufacturing sales



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

| % change unless otherwise indicated | | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| Real GDP | 3.0 | 2.4 | 2.3 | 2.3 | 2.3 | 2.4 |
| Nominal GDP | 6.4 | 3.5 | 3.5 | 3.6 | 3.9 | 4.6 |
| Employment | 1.6 | 0.7 | 0.1 | 1.6 | 0.5 | 1.2 |
| Unemployment rate (%) | 5.3 | 5.4 | 5.4 | 5.6 | 5.6 | 5.3 |
| Retail sales | 1.3 | 3.9 | 4.3 | 1.5 | 4.7 | 4.3 |
| Housing starts (units) | 7,242 | 7,465 | 6,220 | 5,501 | 5,700 | 6,800 |
| Consumer price index | 1.6 | 2.3 | 1.8 | 1.2 | 1.4 | 2.4 |

Paul Ferley
Assistant Chief Economist

On a roll and poised to outperform

Ontario’s economy has been on a roll lately, thereby leading us to believe that growth will be the strongest in six years in 2016. External trade has shown encouraging signs since the middle of 2015; however, it is the household sector that remains the main driving force in the province at this stage. Not only is household spending on goods and services growing at a rapid clip, but also household investment in residential structures (both new and existing) continues to defy expectations of a ‘soft landing’ and keeps fuelling substantial economic activity in the province. With interest rates anticipated to stay low, the Canadian dollar continuing to hover around levels keeping Ontario firms internationally competitive, and governments intent on stoking the economy, we believe that the elements will be in place for Ontario to outperform the national economy for a third-straight year in 2016. We forecast growth to accelerate slightly from a solid 2.6% in 2015 to 2.8% in 2016. Our outlook for 2017 calls for only a modest slowing in the pace to 2.5%.

Households carrying much of the load

Ontario households were a key driver of growth in the province in 2015, and this was clearly in evidence in the fourth quarter. Statistics compiled by the Ontario Ministry of Finance (OMF) showed that household spending and investment in residential structures effectively accounted for the entire growth in the provincial economy in the fourth quarter (estimated at 3.1%, annualized). Household spending on goods and services grew the most (4.8% annualized) in the province since the end of 2010, and residential investment surged by 11.2%, thereby building further on very strong increases earlier last year. Early signs suggest that Ontarians remained very active so far in 2016. They have continued to buy new motor vehicles and existing homes in record numbers, and also pumped up sales at retailers other than car dealerships. While we expect some moderation in home resales later this year—due to deteriorating affordability—we believe that households will continue to carry much of the load in 2016.

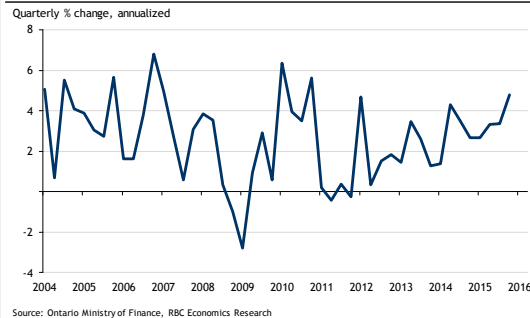
Net trade starting to pitch in

A central theme of our Ontario outlook story is that we expect external trade to contribute increasingly to growth. Although we were disappointed by the lack of traction in the first half of 2015 (partly explained by special factors), recent developments point to encouraging gains on that front. OMF estimates show that net trade bounced back in both the third and fourth quarters of 2015—driven higher by sizable advances in international exports. Monthly merchandise trade statistics suggest that this continued to be the case in the first quarter of 2016 thanks to increases in most major export categories, including motor vehicle and parts. We continue to believe that a strengthening external trade sector will broaden Ontario’s expansion going forward.

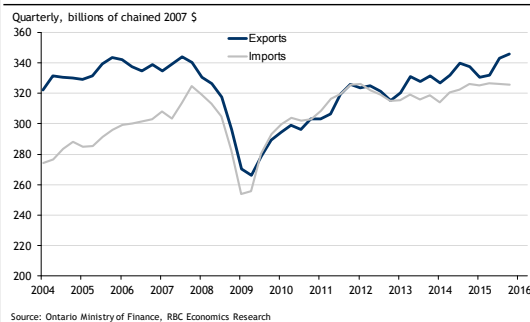
If only businesses could boost their investments

Where we risk being disappointed this year is capital investment in the province. The recently released CAPEX survey indicated that firms plan to cut back capital expenditures marginally by 0.1% in 2016 (on the heels of a strong 9.6% boost in 2015), with the private sector (-0.7%) accounting for the entire decline (public-sector organizations intend to boost their capital outlays by 0.7%). Should this survey prove to be an accurate reflection of actual spending, then the scope for a meaningful increase in Ontario’s production capacity would be limited in 2016.

Ontario: Household consumption expenditures



Ontario: External trade



Ontario forecast at a glance

| % change unless otherwise indicated | | | | | | |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| Real GDP | 1.3 | 1.3 | 2.7 | 2.6 | 2.8 | 2.5 |
| Nominal GDP | 3.1 | 1.9 | 4.1 | 4.1 | 4.7 | 4.4 |
| Employment | 0.7 | 1.8 | 0.8 | 0.7 | 1.3 | 1.0 |
| Unemployment rate (%) | 7.9 | 7.6 | 7.3 | 6.8 | 6.5 | 6.0 |
| Retail sales | 1.6 | 2.3 | 5.0 | 4.2 | 5.5 | 4.2 |
| Housing starts (units) | 76,742 | 61,085 | 59,134 | 70,156 | 72,300 | 65,800 |
| Consumer price index | 1.4 | 1.1 | 2.3 | 1.2 | 1.8 | 2.3 |

Robert Hogue
Senior Economist



Bringing it up a notch

Quebec's economic performance has been quite uneven in the past few years, and recent developments have been no exceptions. Fortunately, the provincial economy started 2016 on a strong footing with signs that a number of key economic sectors picked up their pace in the early months of this year after a disappointing finish to 2015. While the road ahead will likely remain bumpy, we believe that the provincial economy is now engaged in a modestly higher growth trajectory. Quebec is among the provinces standing to benefit most from the lower value of the Canadian dollar and reasonably healthy conditions in the US markets. Moreover, new data support our view that business investment in the province will finally begin to turn around this year following a long period of decline. We forecast real GDP growth to accelerate to 1.5% in 2016 and 1.7% in 2017 from 1.1% in 2015.

Good start to 2016...

Early indications suggest that Quebec's economic activity bounced back in the first quarter of 2016 from a slight contraction in the fourth quarter of 2015. Estimates from the Institut de la statistique du Québec (ISQ) showed that monthly real GDP picked up noticeably in January and February, thereby setting the stage for a solid quarterly growth of 3.4% (annualized) in the first quarter of 2016, according to our latest monitoring. The ISQ estimates reveal that key industries posted welcome gains relative to the fourth quarter of 2015, including manufacturing, retail trade, transportation services, accommodation and food services, and public administration, which augur well for further broad-based advances in the remainder of 2016. In the case of manufacturing, solid growth occurred despite continued softness in the aerospace equipment industry, as strong gains in industries such as food products, fabricated metal products, paper, and furniture carried the day. In the case of public administration, the pickup in activity following more than five years of virtual stagnation may be a sign that stringent fiscal restraint has begun to ease at the provincial level. In its March 2016 budget, the Quebec government confirmed that it balanced its books in the 2015-16 fiscal year and that it is on track to do so for the next five years.

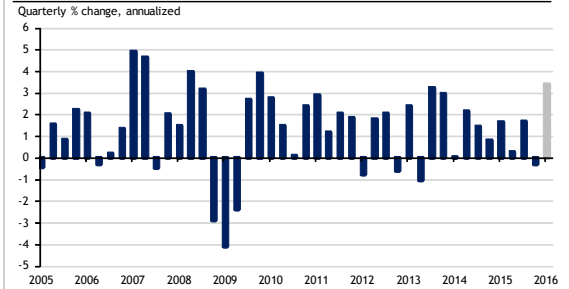
...despite some export inertia

One element coming short of our expectations early this year has been external trade. More specifically, real merchandise exports were up by a meagre 1.7% year over year in the first quarter of 2016, which suggests to us that the rotation toward external sources of growth has nearly stalled after making such great progress in the province in 2014 and 2015. A dip in exports of aircrafts and parts has significantly offset strong advances in sales abroad of electricity, pharmaceutical products, and minerals (e.g., iron ore and copper). Nonetheless, we continue to believe that external trade will play an increasing part of Quebec's growth story going forward.

Positive outlook for business investment at last

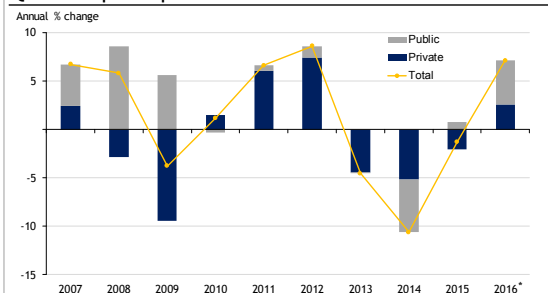
We also believe that business investment will play a positive role in that story. Our view received support from Statistics Canada's latest CAPEX survey, which showed that firms plan to boost capital spending by 7.1% in the province in 2016. Particularly encouraging was the fact that Quebec was one of only two provinces where firms in the private sector intend to increase investment—including a big 17% boost in manufacturing.

Quebec: Real GDP



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

Quebec: Capital expenditures



*Intentions
Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

| % change unless otherwise indicated | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|-------------------------------------|--------|--------|--------|--------|--------|--------|
| Real GDP | 1.0 | 1.2 | 1.5 | 1.1 | 1.5 | 1.7 |
| Nominal GDP | 2.7 | 2.0 | 2.5 | 2.6 | 3.2 | 3.5 |
| Employment | 0.8 | 1.4 | 0.0 | 0.9 | 0.8 | 0.7 |
| Unemployment rate (%) | 7.7 | 7.6 | 7.7 | 7.6 | 7.6 | 7.4 |
| Retail sales | 1.2 | 2.5 | 1.7 | 0.5 | 3.9 | 3.8 |
| Housing starts (units) | 47,367 | 37,758 | 38,810 | 37,926 | 36,100 | 34,500 |
| Consumer price index | 2.1 | 0.8 | 1.4 | 1.1 | 1.4 | 2.4 |

Robert Hogue
Senior Economist

Exports still the key to the provincial outlook

Preliminary data from Statistics Canada show that New Brunswick’s economy delivered stronger than expected growth in 2015, expanding by 1.9% on the back of manufacturing and primary industries. Save for a disappointing setback for the mining industry, the outlook for these export-oriented sectors remains broadly positive this year and will sustain economic growth during our forecast horizon. Our forecast assumes more significant offset from the domestic economy and fiscal restraint by the provincial government. We expect that economic growth will slow to a modest growth rate of 0.4% this year and 0.6% in 2017.

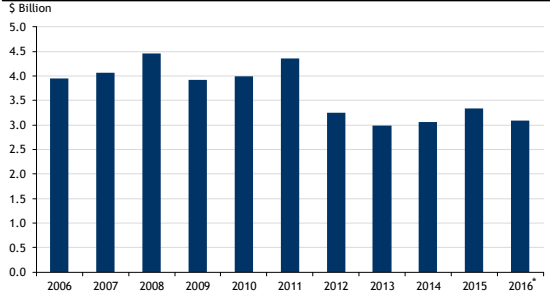
Hewing wood and drawing water

Even looking through the effect of a maintenance-related shutdown of the Saint John refinery last year, exports were stuck in low gear in 2015, and that weakness has not ended so far in 2016. The province’s export outlook took a hit when the newly commissioned Picadilly mine was shuttered in the wake of low potash prices; however, there will be some offset from a full year of metal production at the Caribou mine. Outside of mining and despite declining exports overall, there are localized sources of strength in food manufacturing, wood products, and paper products, which bode well for future export growth. Steadily rising US housing starts and investments in domestic capacity are helping to drive exports of wood products, which are up 25% so far this year. The province’s tourism industry is also getting a boost from a weaker Canadian dollar that is enticing US shoppers across the border. Visitors arriving by car are up 15% so far this year, which may be contributing to a 9% year-to-date gain in retail sales.

Slumping capital investment adds to weakness in the domestic economy

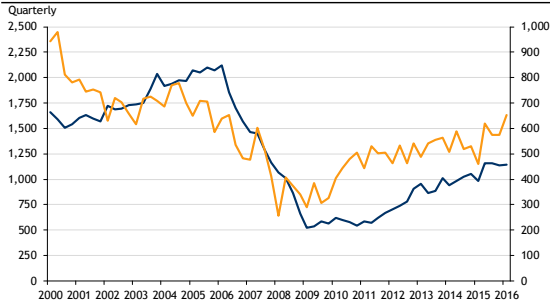
Recently released data show that capital investment intentions are down 7% in New Brunswick in 2016, led by an 18% drop in private-sector spending. Falling investment intentions partly reflect the end of maintenance and upgrading work at the Saint John refinery but also reflect the drying up of the capital investment pipeline. While planned public-sector investment is up somewhat this year, as the government aims to stimulate a flagging economy, it too is on a declining trajectory going forward, thereby dimming the outlook for construction beyond 2016. On the residential side, building activity is ebbing, and new housing starts remain at a low level. The government’s tight grip on spending is leaning into challenging conditions for the domestic economy, and steep job losses in the public sector are contributing to a 1.5% year-to-date decline in employment. While this pace of job losses will likely reverse somewhat, we expect New Brunswick to shed jobs in both 2016 and 2017 following overall employment declines in six of the past seven years. Despite sustained job losses in the province, the unemployment rate has come down as the labour force and pool of working-age adults shrink. The province’s economic and labour market fortunes are linked to these demographic trends as fewer workers translates into less demand for consumer goods and housing construction, and a shrinking tax base encumbers the government with the structural deficit that it has grappled with in recent budgets.

New Brunswick: Total capital expenditures



*Intentions
Source: Statistics Canada, RBC Economics Research

New Brunswick: Lumber exports and US housing starts



Source: Statistics Canada, US Bureau of the Census, RBC Economics Research

New Brunswick forecast at a glance

| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| % change unless otherwise indicated | | | | | | |
| Real GDP | -1.0 | 0.4 | -0.3 | 1.9 | 0.4 | 0.6 |
| Nominal GDP | 0.7 | 0.4 | 0.6 | 3.7 | 2.0 | 2.5 |
| Employment | -0.7 | 0.4 | -0.2 | -0.6 | -0.5 | -0.2 |
| Unemployment rate (%) | 10.2 | 10.3 | 10.0 | 9.8 | 9.7 | 9.6 |
| Retail sales | -0.7 | 0.7 | 3.8 | 2.4 | 2.4 | 2.4 |
| Housing starts (units) | 3,299 | 2,843 | 2,276 | 1,995 | 1,600 | 2,000 |
| Consumer price index | 1.7 | 0.8 | 1.5 | 0.5 | 1.9 | 2.5 |

Gerard Walsh
Economist



Growth poised to pick up modestly

Strength in the export-oriented manufacturing and primary sectors propelled Nova Scotia's economy last year with Statistics Canada's first estimate of 2015 real GDP showing a modest expansion despite sluggish growth in the public sector, falling construction activity, and declining natural gas production. Economic growth is set to accelerate this year as exports continue to benefit from a lower dollar and as shipbuilding and construction activity continue to ramp up in Halifax. Our forecast calls for real GDP growth to quicken to 1.3% in 2016 before slowing to 1.1% in 2017 as construction projects wind down.

Construction activity to support growth

Recently released Statistics Canada data on capital spending intentions show a sharp 24% rise in public-sector investment in 2016 that reflected spending on a new convention centre in Halifax. We expect this investment to boost non-residential construction activity in the province this year. On the residential side, we expect construction levels to remain high this year thanks to the start of several multi-unit dwelling projects in 2015. Looking to 2017, as major residential and non-residential projects begin to wrap up, construction activity will likely ebb, thereby weighing on the overall economic outlook.

Provincial government on the cusp of balancing its budget

The Nova Scotia government's 2016 budget, released in April, projects the province is on the cusp of its first surplus in five years following several years of fiscal restraint. The budget included few new initiatives, which will likely limit the public sector's contribution to GDP and employment growth going forward.

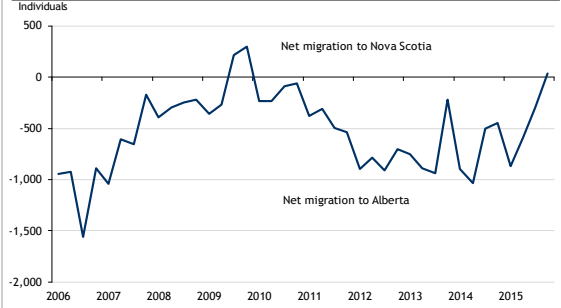
The manufacturing sector hums along

Nova Scotia's headline export growth was only 2% in 2015, but this masked important dynamics in the province's export mix as substantial declines in natural gas production offset robust growth in non-energy export categories. As a result, natural gas has come to represent only a small share of exports (4% in the first quarter of 2016) such that further declines will no longer meaningfully affect overall export growth in the province. Instead, non-energy products should propel overall exports as they build on the solid 13% gain last year that was supported by solid US demand and a weak Canadian dollar. The manufacturing sector should also benefit from shipbuilding activity, thanks to the Arctic Offshore Patrol Ships being assembled in Halifax.

Labour market continues to feel the strain

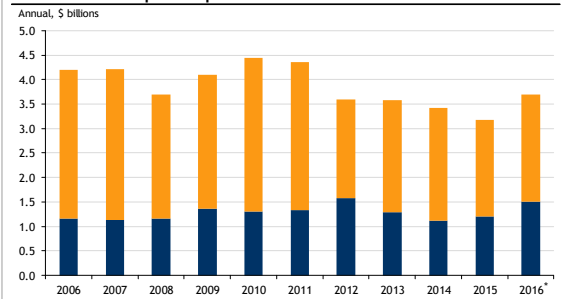
Despite an expected pickup in economic growth in 2016, Nova Scotia's employment outlook remains dim. So far this year, losses in private-sector jobs have contributed to a 0.2% decline in overall employment. While there is scope for a modest turnaround in private-sector hiring in the remainder of this year, it is likely to be more than offset by cutbacks in public-sector payrolls. Still, despite stagnating employment, we expect Nova Scotia unemployment rate to edge lower, slightly due to a shrinking labour force brought about by a declining working-age population. The ageing of the Nova Scotia's population increasingly is taking a toll on its pool of available labour, although we expect this phenomenon to be partly offset by improving interprovincial migration flows with Alberta (that has been a long-standing drain on the Nova Scotia population).

Nova Scotia's interprovincial migration balance with Alberta



Source: Statistics Canada, RBC Economics Research

Nova Scotia: Capital expenditures



*Intentions
Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

| % change unless otherwise indicated | | | | | | |
|-------------------------------------|-------|-------|-------|-------|-------|-------|
| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| Real GDP | -0.9 | 0.0 | 0.6 | 0.9 | 1.3 | 1.1 |
| Nominal GDP | 0.5 | 2.0 | 1.3 | 2.1 | 2.8 | 3.1 |
| Employment | 1.0 | -1.1 | -1.1 | 0.1 | -0.2 | -0.1 |
| Unemployment rate (%) | 9.1 | 9.1 | 8.9 | 8.6 | 8.5 | 8.2 |
| Retail sales | 1.0 | 2.9 | 2.3 | -0.6 | 2.7 | 2.6 |
| Housing starts (units) | 4,522 | 3,919 | 3,056 | 3,825 | 3,100 | 3,200 |
| Consumer price index | 1.9 | 1.2 | 1.7 | 0.4 | 1.4 | 2.6 |

Gerard Walsh
Economist

Exports to fuel a steadily growing economy

According to preliminary figures, Prince Edward Island’s GDP expanded by 1.5% in 2015 and was led by growth in private services and exports. These sectors are expected to be the province’s key growth engines again in 2016. The construction sector should provide a lift this year followed by a small drag thereafter, and growth in domestically oriented sectors of the economy should be modest and temper overall economic performance. Our forecast calls for real GDP to expand by 1.3% in 2016 before easing further to 0.9% in 2017.

Exports growing and diversifying

After a strong hand-off from 2015, exports remain on track for continued growth thanks to solid US domestic spending, low Canadian dollar, and continued investments by exporters. Recently announced contracts in the aerospace sector point to firms expanding capacity and production going forward, and rising shipments of lobsters and potato products are driving a 22% gain in food-product exports so far this year. As exports have grown, exporters have diversified their markets with an increased share of provincial exports headed for Asia. In 2015, the United States received 65% of the Island’s exports, which was down from 81% in 2008; whereas, the share bound for Asia rose to 13% from 4% during the same period.

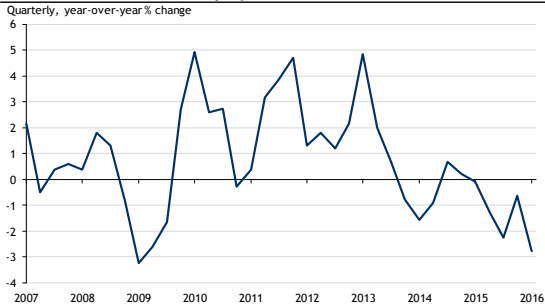
A delayed return to surplus prevents a fiscal drag

Prince Edward Island’s 2016 budget raised the harmonized sales tax (HST) by 1 percentage point to 15% and maintained deficit spending for another year, as the government eschewed cuts to government services. As a result, the public sector will make a small contribution to the otherwise weak domestically oriented side of the provincial economy this year. The impressive 8% year-to-date gain in retail sales is expected to moderate, and overall employment has fallen substantially, thereby putting the province on track for its third consecutive year of job losses. The effect of employment declines on the unemployment rate is being tempered by a steadily declining labour force and working-age population. Like most provinces in Atlantic Canada, Prince Edward Island faces demographic challenges, but a relatively high level of international immigration, coupled with a pledge to accept hundreds of Syrian refugees, may forestall them in the near term.

Capital spending jumps in the near term

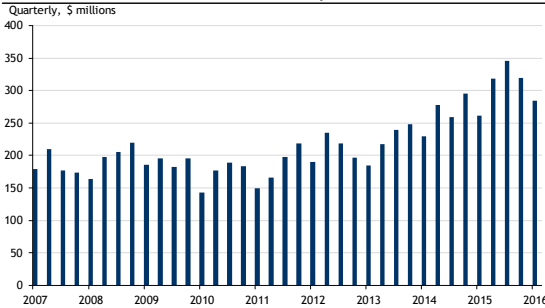
Capital spending intentions, recently released by Statistics Canada, show a 16% increase on Prince Edward Island in 2016 and the key driver of that growth is a \$140-million electricity cable to New Brunswick. While the cable has a large dollar value, little of its materials or labour will be locally sourced, thereby minimizing its effect on PEI growth. A large contribution to the construction sector will come from an uptick in government investment activity this year, but looking to 2017 and beyond, the construction industry will face a declining trajectory of public capital spending and a dim outlook for residential construction brought on by slow population growth.

Prince Edward Island: Employment



Source: Statistics Canada, RBC Economics Research

Prince Edward Island: Merchandise exports



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

| % change unless otherwise indicated | | | | | | |
|-------------------------------------|------|------|------|-------|-------|-------|
| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
| Real GDP | 1.2 | 2.0 | 1.5 | 1.5 | 1.3 | 0.9 |
| Nominal GDP | 2.7 | 3.8 | 3.8 | 3.5 | 2.7 | 2.5 |
| Employment | 1.7 | 1.4 | -0.1 | -1.2 | -0.7 | -0.1 |
| Unemployment rate (%) | 11.1 | 11.5 | 10.6 | 10.5 | 10.7 | 10.5 |
| Retail sales | 3.2 | 0.8 | 3.3 | 2.3 | 3.5 | 2.0 |
| Housing starts (units) | 941 | 636 | 511 | 558 | 570 | 800 |
| Consumer price index | 2.0 | 2.0 | 1.6 | -0.6 | 1.4 | 2.6 |

Gerard Walsh
Economist



Newfoundland & Labrador

An austerity budget amid a contracting economy

The gathering effect of low oil prices and falling production on Newfoundland and Labrador’s economy was revealed recently when Statistics Canada’s preliminary estimate of GDP growth for 2015 showed a contraction of 2.2%. Despite a stable outlook for oil production, the government’s austerity budget and a lower trajectory for investment spending will cause steady declines in provincial GDP for the next two years with knock-on implications for employment growth and the unemployment rate. We expect real GDP will slip by 0.3% in 2016 and a further 0.9% in 2017.

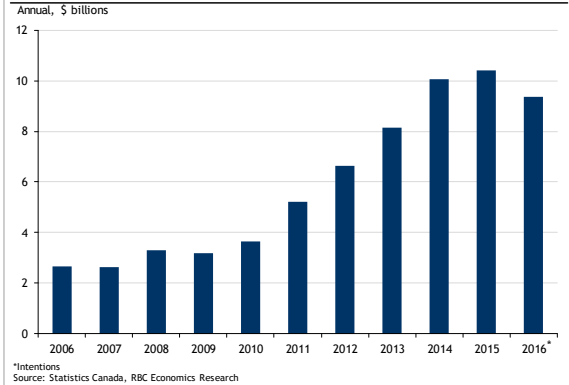
The province responds to lower revenues with taxes and spending cuts...

In response to plunging oil royalties, the government of Newfoundland and Labrador outlined significant spending cuts and tax increases in its 2016 budget, including line-by-line reviews of department budgets, hikes in income taxes, gas taxes, and the HST, and the introduction of the Deficit Reduction Levy of up to \$900 per person. Even with these measures, the government is projecting deficits exceeding \$500 million until 2022-23 and a rapid rise in its debt-to-GDP ratio. The province’s fiscal challenges have prompted the federal government to suspend the province’s payments on \$267 million owed to Ottawa and to extend the province funds under the Fiscal Stabilization Program. For its part, the provincial government has promised further measures in its upcoming Fall Update, which the government expects will be sufficient to balance the budget by 2021-22. Severe fiscal restraint will deal a blow to Newfoundland and Labrador’s already weakened economy, as tax increases sap consumer spending and expenditure cuts add to accumulating public-sector employment losses. Public-sector employment is down 4% year to date compared with last year, which along with a 1.3% decline in private-sector employment, is putting upward pressure on the unemployment rate that is expected to be the highest among the provinces during our forecast horizon.

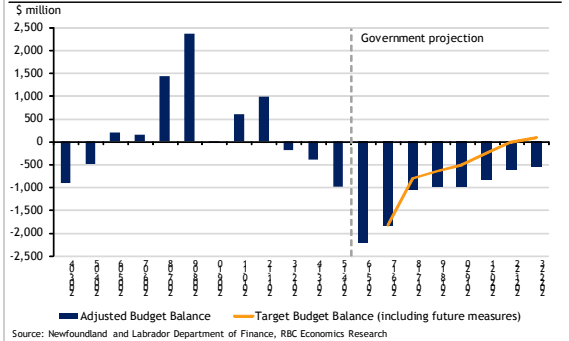
...as investment and construction activity begins to fade

Despite a challenging budget situation, the government remains committed to investing in Nalcor and its Muskrat Falls project. Employment peaked on the \$7.7-billion project last year, and the wind down of activity going forward is contributing to a 10% decline in province-wide capital spending intentions for 2016. Adding to falling capital spending is an expected 14% decline in mining, oil, and gas investment as the \$14-billion Hebron project commences oil production in 2017. The long-term decline in investment is the key driver in our forecast for the next two years and implies a negative outlook for a construction sector, which is also facing declining residential activity. Housing starts have declined steadily since 2012, and declining average resale prices and a shrinking working-age population signal further weakness ahead.

Newfoundland and Labrador: Capital expenditures



Newfoundland and Labrador: Budget balance



Newfoundland forecast at a glance

% change unless otherwise indicated

| | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|------------------------|-------|-------|-------|-------|-------|-------|
| Real GDP | -4.4 | 5.8 | -2.0 | -2.2 | -0.3 | -0.9 |
| Nominal GDP | -4.5 | 9.2 | -4.2 | -9.5 | -2.1 | 4.9 |
| Employment | 3.8 | 0.8 | -1.7 | -1.0 | -1.5 | -2.0 |
| Unemployment rate (%) | 12.3 | 11.6 | 11.9 | 12.8 | 13.4 | 14.5 |
| Retail sales | 4.5 | 5.0 | 3.4 | 0.2 | 0.9 | 0.7 |
| Housing starts (units) | 3,885 | 2,862 | 2,119 | 1,697 | 1,600 | 1,300 |
| Consumer price index | 2.1 | 1.7 | 1.9 | 0.4 | 1.7 | 2.5 |

Gerard Walsh
Economist

Forecast detail

Average annual % change unless otherwise indicated

| | Real GDP | | | | Nominal GDP | | | | Employment | | | | Unemployment rate % | | | | Housing starts Thousands | | | | Retail sales | | | | CPI | | | |
|---------------|------------|------------|------------|------------|-------------|------------|------------|------------|------------|------------|------------|------------|---------------------|------------|------------|------------|--------------------------|------------|------------|------------|--------------|------------|------------|------------|------------|------------|------------|------------|
| | 14 | 15F | 16F | 17F | 14 | 15F | 16F | 17F | 14 | 15 | 16F | 17F | 14 | 15 | 16F | 17F | 14 | 15 | 16F | 17F | 14 | 15 | 16F | 17F | 14 | 15 | 16F | 17F |
| N. & L. | -2.0 | -2.2 | -0.3 | -0.9 | -4.2 | -9.5 | -2.1 | 4.9 | -1.7 | -1.0 | -1.5 | -2.0 | 11.9 | 12.8 | 13.4 | 14.5 | 2.1 | 1.7 | 1.6 | 1.3 | 3.4 | 0.2 | 0.9 | 0.7 | 1.9 | 0.4 | 1.7 | 2.5 |
| P.E.I. | 1.5 | 1.5 | 1.3 | 0.9 | 3.8 | 3.5 | 2.7 | 2.5 | -0.1 | -1.2 | -0.7 | -0.1 | 10.6 | 10.5 | 10.7 | 10.5 | 0.5 | 0.6 | 0.6 | 0.8 | 3.3 | 2.3 | 3.5 | 2.0 | 1.6 | -0.6 | 1.4 | 2.6 |
| N.S. | 0.6 | 0.9 | 1.3 | 1.1 | 1.3 | 2.1 | 2.8 | 3.1 | -1.1 | 0.1 | -0.2 | -0.1 | 8.9 | 8.6 | 8.5 | 8.2 | 3.1 | 3.8 | 3.1 | 3.2 | 2.3 | -0.6 | 2.7 | 2.6 | 1.7 | 0.4 | 1.4 | 2.6 |
| N.B. | -0.3 | 1.9 | 0.4 | 0.6 | 0.6 | 3.7 | 2.0 | 2.5 | -0.2 | -0.6 | -0.5 | -0.2 | 10.0 | 9.8 | 9.7 | 9.6 | 2.3 | 2.0 | 1.6 | 2.0 | 3.8 | 2.4 | 2.4 | 2.4 | 1.5 | 0.5 | 1.9 | 2.5 |
| QUE. | 1.5 | 1.1 | 1.5 | 1.7 | 2.5 | 2.6 | 3.2 | 3.5 | 0.0 | 0.9 | 0.8 | 0.7 | 7.7 | 7.6 | 7.6 | 7.4 | 38.8 | 37.9 | 36.1 | 34.5 | 1.7 | 0.5 | 3.9 | 3.8 | 1.4 | 1.1 | 1.4 | 2.4 |
| ONT. | 2.7 | 2.6 | 2.8 | 2.5 | 4.1 | 4.1 | 4.7 | 4.4 | 0.8 | 0.7 | 1.3 | 1.0 | 7.3 | 6.8 | 6.5 | 6.0 | 59.1 | 70.2 | 72.3 | 65.8 | 5.0 | 4.2 | 5.5 | 4.2 | 2.3 | 1.2 | 1.8 | 2.3 |
| MAN. | 2.3 | 2.3 | 2.3 | 2.4 | 3.5 | 3.6 | 3.9 | 4.6 | 0.1 | 1.6 | 0.5 | 1.2 | 5.4 | 5.6 | 5.6 | 5.3 | 6.2 | 5.5 | 5.7 | 6.8 | 4.3 | 1.5 | 4.7 | 4.3 | 1.8 | 1.2 | 1.4 | 2.4 |
| SASK. | 1.9 | -1.1 | -0.2 | 1.8 | -0.9 | -6.0 | 0.3 | 6.3 | 1.0 | 0.5 | -1.4 | 0.4 | 3.8 | 5.0 | 6.7 | 6.6 | 8.3 | 5.1 | 4.9 | 6.8 | 4.6 | -3.5 | -0.2 | 3.1 | 2.4 | 1.6 | 1.8 | 2.9 |
| ALTA. | 4.8 | -3.5 | -2.5 | 2.2 | 9.1 | -12.1 | -5.4 | 10.8 | 2.2 | 1.2 | -1.8 | 0.9 | 4.7 | 6.0 | 7.9 | 7.2 | 40.6 | 37.3 | 24.1 | 25.0 | 7.5 | -4.6 | -3.4 | 2.0 | 2.6 | 1.2 | 1.3 | 2.1 |
| B.C. | 3.2 | 3.1 | 3.0 | 2.3 | 4.7 | 4.4 | 4.7 | 4.7 | 0.6 | 1.2 | 2.2 | 1.1 | 6.1 | 6.2 | 6.1 | 5.6 | 28.4 | 31.4 | 40.5 | 35.3 | 5.6 | 6.0 | 5.3 | 4.1 | 1.0 | 1.1 | 1.8 | 2.1 |
| CANADA | 2.5 | 1.1 | 1.4 | 2.0 | 4.3 | 0.5 | 2.4 | 5.2 | 0.6 | 0.8 | 0.7 | 0.9 | 6.9 | 6.9 | 7.0 | 6.7 | 189 | 196 | 191 | 181 | 4.6 | 1.7 | 3.4 | 3.6 | 2.0 | 1.1 | 1.6 | 2.3 |

Key provincial comparisons

2014 unless otherwise indicated

| | N. & L. | P.E.I. | N.S. | N.B. | QUE | ONT | MAN | SASK | ALTA | B.C. |
|---|---------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Population (000s, 2015) | 528 | 146 | 943 | 754 | 8,264 | 13,792 | 1,293 | 1,134 | 4,196 | 4,683 |
| Gross domestic product (\$ billions) | 33.5 | 6.0 | 39.1 | 32.1 | 370.1 | 722.0 | 64.1 | 82.8 | 375.8 | 237.2 |
| Real GDP (\$2007 billions) | 27.7 | 5.1 | 35.8 | 28.4 | 334.1 | 648.4 | 58.3 | 63.1 | 320.1 | 222.9 |
| Share of provincial GDP of Canadian GDP (%) | 1.7 | 0.3 | 2.0 | 1.6 | 18.8 | 36.6 | 3.2 | 4.2 | 19.0 | 12.0 |
| Real GDP growth (CAGR, 2009-14, %) | 1.5 | 1.8 | 0.6 | 0.3 | 1.6 | 2.2 | 2.5 | 3.9 | 5.0 | 2.7 |
| Real GDP per capita (\$ 2007) | 52,347 | 35,071 | 37,944 | 37,685 | 40,670 | 47,402 | 45,539 | 56,249 | 77,680 | 48,048 |
| Real GDP growth rate per capita (CAGR, 2009-14, %) | 1.0 | 0.9 | 0.5 | 0.1 | 0.6 | 1.1 | 1.4 | 2.2 | 2.7 | 1.7 |
| Personal disposable income per capita (\$) | 31,915 | 26,368 | 27,482 | 26,912 | 26,046 | 29,687 | 27,478 | 32,249 | 40,495 | 31,460 |
| Employment growth (CAGR, 2010-15, %) | 1.2 | 1.0 | -0.1 | -0.4 | 0.8 | 1.2 | 0.9 | 1.6 | 2.6 | 0.7 |
| Employment rate (Apr. 2016, %) | 53.4 | 58.5 | 57.1 | 56.0 | 59.6 | 60.8 | 63.6 | 65.4 | 67.1 | 60.6 |
| Discomfort index (inflation + unemp. rate, Apr. 2016) | 14.5 | 13.2 | 9.5 | 11.8 | 8.5 | 9.1 | 7.4 | 7.7 | 8.7 | 7.6 |
| Manufacturing industry output (% of GDP) | 4.0 | 9.7 | 7.4 | 11.7 | 13.9 | 12.2 | 11.7 | 6.7 | 6.9 | 6.9 |
| Personal expenditures on goods & services (% of GDP) | 47.3 | 68.5 | 73.1 | 67.2 | 59.4 | 57.4 | 57.4 | 42.6 | 38.8 | 64.6 |
| International exports (% of GDP) | 40.7 | 18.6 | 20.7 | 45.7 | 27.7 | 33.6 | 27.0 | 45.9 | 34.9 | 22.4 |

Tables

British Columbia

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 199,768 | 194,987 | 200,324 | 206,360 | 211,427 | 215,901 | 222,868 | 229,866 | 236,647 | 242,090 |
| | % change | 0.7 | -2.4 | 2.7 | 3.0 | 2.5 | 2.1 | 3.2 | 3.1 | 3.0 | 2.3 |
| Nominal GDP | \$ millions | 204,406 | 196,250 | 205,117 | 216,786 | 221,414 | 226,605 | 237,188 | 247,610 | 259,248 | 271,311 |
| | % change | 3.1 | -4.0 | 4.5 | 5.7 | 2.1 | 2.3 | 4.7 | 4.4 | 4.7 | 4.7 |
| Employment | thousands | 2,242 | 2,192 | 2,223 | 2,228 | 2,262 | 2,266 | 2,278 | 2,306 | 2,357 | 2,382 |
| | % change | 1.6 | -2.2 | 1.4 | 0.2 | 1.6 | 0.1 | 0.6 | 1.2 | 2.2 | 1.1 |
| Unemployment rate | % | 4.6 | 7.7 | 7.6 | 7.5 | 6.8 | 6.6 | 6.1 | 6.2 | 6.1 | 5.6 |
| Retail sales | \$ millions | 57,794 | 55,288 | 58,251 | 60,090 | 61,255 | 62,734 | 66,273 | 70,272 | 73,989 | 77,011 |
| | % change | 1.5 | -4.3 | 5.4 | 3.2 | 1.9 | 2.4 | 5.6 | 6.0 | 5.3 | 4.1 |
| Housing starts | units | 34,321 | 16,077 | 26,479 | 26,400 | 27,465 | 27,054 | 28,356 | 31,446 | 40,500 | 35,300 |
| | % change | -12.4 | -53.2 | 64.7 | -0.3 | 4.0 | -1.5 | 4.8 | 10.9 | 28.8 | -12.8 |
| Consumer price index | 2002=100 | 112.3 | 112.3 | 113.8 | 116.5 | 117.8 | 117.7 | 118.9 | 120.2 | 122.4 | 125.0 |
| | % change | 2.1 | 0.0 | 1.4 | 2.3 | 1.1 | -0.1 | 1.0 | 1.1 | 1.8 | 2.1 |

Alberta

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 265,165 | 250,510 | 262,720 | 279,655 | 290,544 | 305,353 | 320,113 | 309,069 | 301,497 | 307,979 |
| | % change | 1.6 | -5.5 | 4.9 | 6.4 | 3.9 | 5.1 | 4.8 | -3.5 | -2.5 | 2.2 |
| Nominal GDP | \$ millions | 296,072 | 245,690 | 270,049 | 299,521 | 312,485 | 344,452 | 375,756 | 330,372 | 312,610 | 346,474 |
| | % change | 13.5 | -17.0 | 9.9 | 10.9 | 4.3 | 10.2 | 9.1 | -12.1 | -5.4 | 10.8 |
| Employment | thousands | 2,054 | 2,030 | 2,024 | 2,100 | 2,172 | 2,226 | 2,275 | 2,301 | 2,260 | 2,280 |
| | % change | 3.2 | -1.2 | -0.3 | 3.7 | 3.5 | 2.5 | 2.2 | 1.2 | -1.8 | 0.9 |
| Unemployment rate | % | 3.6 | 6.5 | 6.6 | 5.4 | 4.6 | 4.6 | 4.7 | 6.0 | 7.9 | 7.2 |
| Retail sales | \$ millions | 61,620 | 56,489 | 59,849 | 63,945 | 68,408 | 73,109 | 78,582 | 74,989 | 72,455 | 73,901 |
| | % change | 0.2 | -8.3 | 5.9 | 6.8 | 7.0 | 6.9 | 7.5 | -4.6 | -3.4 | 2.0 |
| Housing starts | units | 29,164 | 20,298 | 27,088 | 25,704 | 33,396 | 36,011 | 40,590 | 37,282 | 24,100 | 25,000 |
| | % change | -39.7 | -30.4 | 33.5 | -5.1 | 29.9 | 7.8 | 12.7 | -8.1 | -35.4 | 3.7 |
| Consumer price index | 2002=100 | 121.6 | 121.5 | 122.7 | 125.7 | 127.1 | 128.9 | 132.2 | 133.7 | 135.5 | 138.4 |
| | % change | 3.2 | -0.1 | 1.0 | 2.4 | 1.1 | 1.4 | 2.6 | 1.2 | 1.3 | 2.1 |

Saskatchewan

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 55,139 | 52,195 | 54,647 | 57,545 | 58,514 | 61,929 | 63,127 | 62,464 | 62,314 | 63,405 |
| | % change | 5.3 | -5.3 | 4.7 | 5.3 | 1.7 | 5.8 | 1.9 | -1.1 | -0.2 | 1.8 |
| Nominal GDP | \$ millions | 67,619 | 60,080 | 63,368 | 74,821 | 77,957 | 83,496 | 82,780 | 77,837 | 78,038 | 82,977 |
| | % change | 29.1 | -11.1 | 5.5 | 18.1 | 4.2 | 7.1 | -0.9 | -6.0 | 0.3 | 6.3 |
| Employment | thousands | 517 | 526 | 531 | 536 | 548 | 565 | 571 | 574 | 566 | 568 |
| | % change | 2.5 | 1.6 | 1.0 | 0.9 | 2.4 | 3.1 | 1.0 | 0.5 | -1.4 | 0.4 |
| Unemployment rate | % | 4.0 | 4.9 | 5.3 | 4.9 | 4.7 | 4.1 | 3.8 | 5.0 | 6.7 | 6.6 |
| Retail sales | \$ millions | 14,676 | 14,605 | 15,103 | 16,199 | 17,405 | 18,301 | 19,143 | 18,477 | 18,438 | 19,004 |
| | % change | 11.8 | -0.5 | 3.4 | 7.3 | 7.4 | 5.1 | 4.6 | -3.5 | -0.2 | 3.1 |
| Housing starts | units | 6,828 | 3,866 | 5,907 | 7,031 | 9,968 | 8,290 | 8,257 | 5,149 | 4,900 | 6,800 |
| | % change | 13.7 | -43.4 | 52.8 | 19.0 | 41.8 | -16.8 | -0.4 | -37.6 | -4.8 | 38.8 |
| Consumer price index | 2002=100 | 115.9 | 117.1 | 118.7 | 122.0 | 123.9 | 125.7 | 128.7 | 130.8 | 133.1 | 136.9 |
| | % change | 3.2 | 1.1 | 1.3 | 2.8 | 1.6 | 1.4 | 2.4 | 1.6 | 1.8 | 2.9 |

Tables

Manitoba

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 51,544 | 51,464 | 52,736 | 54,045 | 55,674 | 57,005 | 58,301 | 59,665 | 61,008 | 62,441 |
| | % change | 3.7 | -0.2 | 2.5 | 2.5 | 3.0 | 2.4 | 2.3 | 2.3 | 2.3 | 2.4 |
| Nominal GDP | \$ millions | 52,154 | 50,804 | 53,308 | 56,197 | 59,781 | 61,897 | 64,077 | 66,385 | 68,965 | 72,138 |
| | % change | 4.9 | -2.6 | 4.9 | 5.4 | 6.4 | 3.5 | 3.5 | 3.6 | 3.9 | 4.6 |
| Employment | thousands | 602 | 601 | 609 | 612 | 622 | 626 | 626 | 636 | 640 | 647 |
| | % change | 1.5 | -0.2 | 1.4 | 0.4 | 1.6 | 0.7 | 0.1 | 1.6 | 0.5 | 1.2 |
| Unemployment rate | % | 4.2 | 5.2 | 5.4 | 5.5 | 5.3 | 5.4 | 5.4 | 5.6 | 5.6 | 5.3 |
| Retail sales | \$ millions | 14,983 | 14,920 | 15,770 | 16,443 | 16,652 | 17,297 | 18,034 | 18,297 | 19,150 | 19,968 |
| | % change | 6.9 | -0.4 | 5.7 | 4.3 | 1.3 | 3.9 | 4.3 | 1.5 | 4.7 | 4.3 |
| Housing starts | units | 5,537 | 4,174 | 5,888 | 6,083 | 7,242 | 7,465 | 6,220 | 5,501 | 5,700 | 6,800 |
| | % change | -3.5 | -24.6 | 41.1 | 3.3 | 19.1 | 3.1 | -16.7 | -11.6 | 3.6 | 19.3 |
| Consumer price index | 2002=100 | 113.4 | 114.1 | 115.0 | 118.4 | 120.3 | 123.0 | 125.3 | 126.8 | 128.5 | 131.6 |
| | % change | 2.2 | 0.6 | 0.8 | 2.9 | 1.6 | 2.3 | 1.8 | 1.2 | 1.4 | 2.4 |

Ontario

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 601,723 | 582,904 | 600,131 | 614,606 | 622,717 | 631,068 | 648,352 | 665,468 | 683,769 | 700,521 |
| | % change | 0.0 | -3.1 | 3.0 | 2.4 | 1.3 | 1.3 | 2.7 | 2.6 | 2.8 | 2.5 |
| Nominal GDP | \$ millions | 608,446 | 597,882 | 630,989 | 659,743 | 680,084 | 693,210 | 721,970 | 751,266 | 786,592 | 821,175 |
| | % change | 1.1 | -1.7 | 5.5 | 4.6 | 3.1 | 1.9 | 4.1 | 4.1 | 4.7 | 4.4 |
| Employment | thousands | 6,610 | 6,433 | 6,538 | 6,658 | 6,703 | 6,823 | 6,878 | 6,923 | 7,012 | 7,083 |
| | % change | 1.0 | -2.7 | 1.6 | 1.8 | 0.7 | 1.8 | 0.8 | 0.7 | 1.3 | 1.0 |
| Unemployment rate | % | 6.6 | 9.1 | 8.7 | 7.9 | 7.9 | 7.6 | 7.3 | 6.8 | 6.5 | 6.0 |
| Retail sales | \$ millions | 151,697 | 148,109 | 156,276 | 161,859 | 164,503 | 168,253 | 176,719 | 184,143 | 194,330 | 202,509 |
| | % change | 3.9 | -2.4 | 5.5 | 3.6 | 1.6 | 2.3 | 5.0 | 4.2 | 5.5 | 4.2 |
| Housing starts | units | 75,076 | 50,370 | 60,433 | 67,821 | 76,742 | 61,085 | 59,134 | 70,156 | 72,300 | 65,800 |
| | % change | 10.2 | -32.9 | 20.0 | 12.2 | 13.2 | -20.4 | -3.2 | 18.6 | 3.1 | -9.0 |
| Consumer price index | 2002=100 | 113.3 | 113.7 | 116.5 | 120.1 | 121.8 | 123.0 | 125.9 | 127.4 | 129.7 | 132.6 |
| | % change | 2.3 | 0.4 | 2.4 | 3.1 | 1.4 | 1.1 | 2.3 | 1.2 | 1.8 | 2.3 |

Quebec

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | Chained \$2007 millions | 311,945 | 309,359 | 315,708 | 321,647 | 324,993 | 329,038 | 334,103 | 337,912 | 342,811 | 348,639 |
| | % change | 1.9 | -0.8 | 2.1 | 1.9 | 1.0 | 1.2 | 1.5 | 1.1 | 1.5 | 1.7 |
| Nominal GDP | \$ millions | 314,380 | 314,541 | 328,138 | 344,735 | 354,040 | 361,211 | 370,064 | 379,798 | 391,855 | 405,690 |
| | % change | 2.7 | 0.1 | 4.3 | 5.1 | 2.7 | 2.0 | 2.5 | 2.6 | 3.2 | 3.5 |
| Employment | thousands | 3,883 | 3,854 | 3,938 | 3,976 | 4,006 | 4,061 | 4,060 | 4,097 | 4,130 | 4,161 |
| | % change | 1.1 | -0.7 | 2.2 | 1.0 | 0.8 | 1.4 | 0.0 | 0.9 | 0.8 | 0.7 |
| Unemployment rate | % | 7.2 | 8.6 | 8.0 | 7.9 | 7.7 | 7.6 | 7.7 | 7.6 | 7.6 | 7.4 |
| Retail sales | \$ millions | 94,816 | 93,759 | 99,590 | 102,556 | 103,753 | 106,301 | 108,137 | 108,727 | 112,989 | 117,227 |
| | % change | 4.9 | -1.1 | 6.2 | 3.0 | 1.2 | 2.5 | 1.7 | 0.5 | 3.9 | 3.8 |
| Housing starts | units | 47,901 | 43,403 | 51,363 | 48,387 | 47,367 | 37,758 | 38,810 | 37,926 | 36,100 | 34,500 |
| | % change | -1.3 | -9.4 | 18.3 | -5.8 | -2.1 | -20.3 | 2.8 | -2.3 | -4.8 | -4.4 |
| Consumer price index | 2002=100 | 112.7 | 113.4 | 114.8 | 118.3 | 120.8 | 121.7 | 123.4 | 124.7 | 126.4 | 129.5 |
| | % change | 2.1 | 0.6 | 1.3 | 3.0 | 2.1 | 0.8 | 1.4 | 1.1 | 1.4 | 2.4 |

Tables

New Brunswick

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 28,501 | 28,080 | 28,643 | 28,702 | 28,417 | 28,530 | 28,436 | 28,988 | 29,089 | 29,264 |
| | % change | 0.8 | -1.5 | 2.0 | 0.2 | -1.0 | 0.4 | -0.3 | 1.9 | 0.4 | 0.6 |
| Nominal GDP | \$ millions | 28,779 | 28,857 | 30,213 | 31,500 | 31,723 | 31,857 | 32,056 | 33,257 | 33,908 | 34,759 |
| | % change | 1.7 | 0.3 | 4.7 | 4.3 | 0.7 | 0.4 | 0.6 | 3.7 | 2.0 | 2.5 |
| Employment | thousands | 361 | 360 | 358 | 356 | 353 | 355 | 354 | 352 | 350 | 349 |
| | % change | 0.9 | -0.2 | -0.5 | -0.7 | -0.7 | 0.4 | -0.2 | -0.6 | -0.5 | -0.2 |
| Unemployment rate | % | 8.5 | 8.7 | 9.2 | 9.5 | 10.2 | 10.3 | 10.0 | 9.8 | 9.7 | 9.6 |
| Retail sales | \$ millions | 10,018 | 10,094 | 10,595 | 11,103 | 11,028 | 11,107 | 11,528 | 11,808 | 12,093 | 12,389 |
| | % change | 6.5 | 0.8 | 5.0 | 4.8 | -0.7 | 0.7 | 3.8 | 2.4 | 2.4 | 2.4 |
| Housing starts | units | 4,274 | 3,521 | 4,101 | 3,452 | 3,299 | 2,843 | 2,276 | 1,995 | 1,600 | 2,000 |
| | % change | 0.8 | -17.6 | 16.5 | -15.8 | -4.4 | -13.8 | -19.9 | -12.3 | -19.8 | 25.0 |
| Consumer price index | 2002=100 | 113.2 | 113.5 | 115.9 | 120.0 | 122.0 | 123.0 | 124.8 | 125.4 | 127.9 | 131.1 |
| | % change | 1.7 | 0.3 | 2.1 | 3.5 | 1.7 | 0.8 | 1.5 | 0.5 | 1.9 | 2.5 |

Nova Scotia

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 34,618 | 34,721 | 35,693 | 35,884 | 35,567 | 35,562 | 35,758 | 36,080 | 36,549 | 36,951 |
| | % change | 2.0 | 0.3 | 2.8 | 0.5 | -0.9 | 0.0 | 0.6 | 0.9 | 1.3 | 1.1 |
| Nominal GDP | \$ millions | 35,416 | 34,931 | 36,849 | 37,652 | 37,835 | 38,576 | 39,077 | 39,908 | 41,034 | 42,315 |
| | % change | 4.3 | -1.4 | 5.5 | 2.2 | 0.5 | 2.0 | 1.3 | 2.1 | 2.8 | 3.1 |
| Employment | thousands | 452 | 450 | 451 | 453 | 458 | 453 | 448 | 448 | 447 | 447 |
| | % change | 1.0 | -0.5 | 0.4 | 0.4 | 1.0 | -1.1 | -1.1 | 0.1 | -0.2 | -0.1 |
| Unemployment rate | % | 7.6 | 9.2 | 9.6 | 9.0 | 9.1 | 9.1 | 8.9 | 8.6 | 8.5 | 8.2 |
| Retail sales | \$ millions | 12,091 | 12,105 | 12,651 | 13,098 | 13,223 | 13,605 | 13,915 | 13,827 | 14,198 | 14,569 |
| | % change | 4.1 | 0.1 | 4.5 | 3.5 | 1.0 | 2.9 | 2.3 | -0.6 | 2.7 | 2.6 |
| Housing starts | units | 3,982 | 3,438 | 4,309 | 4,644 | 4,522 | 3,919 | 3,056 | 3,825 | 3,100 | 3,200 |
| | % change | -16.2 | -13.7 | 25.3 | 7.8 | -2.6 | -13.3 | -22.0 | 25.2 | -19.0 | 3.2 |
| Consumer price index | 2002=100 | 115.9 | 115.7 | 118.2 | 122.7 | 125.1 | 126.6 | 128.8 | 129.3 | 131.2 | 134.6 |
| | % change | 3.0 | -0.1 | 2.2 | 3.8 | 1.9 | 1.2 | 1.7 | 0.4 | 1.4 | 2.6 |

Prince Edward Island

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Real GDP | Chained \$2007 millions | 4,683 | 4,695 | 4,800 | 4,895 | 4,952 | 5,051 | 5,126 | 5,203 | 5,268 | 5,315 |
| | % change | 1.1 | 0.3 | 2.2 | 2.0 | 1.2 | 2.0 | 1.5 | 1.5 | 1.3 | 0.9 |
| Nominal GDP | \$ millions | 4,754 | 4,927 | 5,222 | 5,424 | 5,573 | 5,783 | 6,003 | 6,214 | 6,380 | 6,541 |
| | % change | 2.7 | 3.6 | 6.0 | 3.9 | 2.7 | 3.8 | 3.8 | 3.5 | 2.7 | 2.5 |
| Employment | thousands | 69 | 68 | 70 | 72 | 73 | 74 | 74 | 73 | 73 | 73 |
| | % change | 0.8 | -1.3 | 2.3 | 3.1 | 1.7 | 1.4 | -0.1 | -1.2 | -0.7 | -0.1 |
| Unemployment rate | % | 10.8 | 11.9 | 11.4 | 11.1 | 11.1 | 11.5 | 10.6 | 10.5 | 10.7 | 10.5 |
| Retail sales | \$ millions | 1,703 | 1,682 | 1,770 | 1,866 | 1,925 | 1,940 | 2,005 | 2,052 | 2,124 | 2,167 |
| | % change | 5.1 | -1.3 | 5.3 | 5.4 | 3.2 | 0.8 | 3.3 | 2.3 | 3.5 | 2.0 |
| Housing starts | units | 712 | 877 | 756 | 940 | 941 | 636 | 511 | 558 | 570 | 800 |
| | % change | -5.1 | 23.2 | -13.8 | 24.3 | 0.1 | -32.4 | -19.7 | 9.2 | 2.2 | 40.4 |
| Consumer price index | 2002=100 | 117.5 | 117.3 | 119.5 | 123.0 | 125.5 | 128.0 | 130.1 | 129.3 | 131.1 | 134.5 |
| | % change | 3.4 | -0.1 | 1.8 | 2.9 | 2.0 | 2.0 | 1.6 | -0.6 | 1.4 | 2.6 |

Newfoundland & Labrador

| | | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015F | 2016F | 2017F |
|----------------------|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | Chained \$2007 millions | 28,629 | 25,740 | 27,164 | 27,946 | 26,719 | 28,272 | 27,695 | 27,086 | 26,994 | 26,751 |
| | % change | -1.5 | -10.1 | 5.5 | 2.9 | -4.4 | 5.8 | -2.0 | -2.2 | -0.3 | -0.9 |
| Nominal GDP | \$ millions | 31,572 | 25,001 | 29,085 | 33,539 | 32,032 | 34,991 | 33,514 | 30,316 | 29,669 | 31,136 |
| | % change | 8.6 | -20.8 | 16.3 | 15.3 | -4.5 | 9.2 | -4.2 | -9.5 | -2.1 | 4.9 |
| Employment | thousands | 221 | 215 | 223 | 232 | 241 | 243 | 239 | 236 | 233 | 228 |
| | % change | 1.9 | -2.7 | 3.6 | 4.1 | 3.8 | 0.8 | -1.7 | -1.0 | -1.5 | -2.0 |
| Unemployment rate | % | 13.3 | 15.5 | 14.7 | 12.6 | 12.3 | 11.6 | 11.9 | 12.8 | 13.4 | 14.5 |
| Retail sales | \$ millions | 7,009 | 7,121 | 7,453 | 7,833 | 8,182 | 8,589 | 8,882 | 8,900 | 8,982 | 9,041 |
| | % change | 7.4 | 1.6 | 4.7 | 5.1 | 4.5 | 5.0 | 3.4 | 0.2 | 0.9 | 0.7 |
| Housing starts | units | 3,261 | 3,057 | 3,606 | 3,488 | 3,885 | 2,862 | 2,119 | 1,697 | 1,600 | 1,300 |
| | % change | 23.1 | -6.3 | 18.0 | -3.3 | 11.4 | -26.3 | -26.0 | -19.9 | -5.7 | -18.8 |
| Consumer price index | 2002=100 | 114.3 | 114.6 | 117.4 | 121.4 | 123.9 | 126.0 | 128.4 | 129.0 | 131.1 | 134.4 |
| | % change | 2.9 | 0.3 | 2.4 | 3.4 | 2.1 | 1.7 | 1.9 | 0.4 | 1.7 | 2.5 |

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