



RBC ECONOMIC OUTLOOK – PROVINCIAL FACT SHEET

Highlights from across Canada

September 14, 2016

British Columbia: The end of the housing boom?

RBC kept its growth forecast at 3.0 per cent for 2016, which also keeps British Columbia at the top of the provincial growth rankings. The outlook for 2017 has been revised down, principally reflecting dimmed prospects for the Vancouver housing market resulting from the B.C. government shifting its housing policy toward actively engineering a cool down, as signaled on August 2, 2016, when it implemented a new 15 per cent tax on foreign homebuyers in Metro Vancouver. Market reaction to this shift appears to have been swift as home resales in August fell by 26 per cent from the same period a year ago, although a declining trend already was in place since reaching an all-time peak in February 2016. RBC now projects real GDP in British Columbia to grow by 1.9 per cent in 2017 instead of the 2.3 per cent rate previously forecasted.

“British Columbia’s healthy employment situation has kept households in good spending spirit, which has been positive for consumer sectors in the province,” said Craig Wright, senior vice-president and chief economist, RBC. “The retail trade industry and new car dealers are benefiting from confident B.C. consumers.”

Learn more about RBC’s Economic Outlook for British Columbia [here](#).

Alberta: Time to rebuild

The significant economic contraction that began in Alberta last year has extended into 2016 and RBC projects a negative growth rate of 2.9 per cent this year. Such substantial back-to-back real GDP declines would be the worst in Alberta since Statistics Canada began keeping provincial GDP statistics in the early 1980s. Conditions will likely start to improve as the effects of the Fort McMurray wildfires on oil production pass. Moreover, a gradual increase in oil prices would pump more revenues into the provincial economy and RBC expects rebuilding work in Fort McMurray to hit its stride by 2017, when the province’s GDP is forecast to grow by a positive rate of 2.3 per cent.

“Energy companies are firmly entrenched in cash-saving mode and weak energy-related activity, exacerbated by May’s wildfires, was a major drag on Alberta’s economy during the first half of 2016,” said Craig Wright, senior vice-president and chief economist, RBC. “That said, there is scope for a near-term rebound in crude oil production as the temporary disruptions caused by the Fort McMurray wildfires fade away.”

Learn more about RBC’s Economic Outlook for Alberta [here](#).

Saskatchewan: Mining woes weigh on economic performance

The Saskatchewan economy is expected to show a greater decline in activity this year than assumed last quarter due to weakness in both energy mining and non-energy mining. RBC forecasts a contraction of 0.9 per cent in 2016 compared to the projection in June of a 0.2 per cent decline. The provincial economy is expected to recover in 2017 with positive growth of 1.6 per cent, just below the 1.8 per cent growth rate projected for the overall Canadian economy.

“Greater weakness in the major natural resource sectors was accompanied by disappointing labour market numbers this year. Hiring was flat in the first quarter and employment declined in the second quarter,” said Craig Wright, senior vice-president and chief economist, RBC. “For the year as a whole, we expect employment to fall 0.8 per cent in the province.”

Learn more about RBC’s Economic Outlook for Saskatchewan [here](#).

Manitoba: Moving forward despite bumps on the road

Growth in Manitoba is expected to remain above the national average in 2016 and 2017, despite a downward revision to expected growth this year relative to RBC’s previous forecast. Though agricultural activity is expected to remain at a historically high level this year, preliminary crop estimates are indicating a greater-than-assumed drop from 2015’s strong harvest. As well, with the manufacturing sector facing greater-than-expected headwinds, RBC lowered its growth forecast to 1.9 per cent in 2016, from a 2.3 per cent projection in the June 2016 Provincial Outlook report. The growth forecast in 2017 is unchanged at 2.4 per cent.

“Our outlook for Manitoba is based on the assumption of a pickup in manufacturing activity as well as ongoing support from the construction sector, led by sizeable expenditures on hydro-electric projects,” said Craig Wright, senior vice-president and chief economist, RBC.

Learn more about RBC’s Economic Outlook for Manitoba [here](#).

Ontario: Taking a breather but solid growth still on track

Ontario’s economy continues to be underpinned by a reasonably healthy job market and still-strong housing sector. RBC forecasts GDP growth of 2.7 per cent in 2016, in line with the performance of the past two years. While this pace is expected to moderate slightly to 2.4 per cent next year, it would still place Ontario at the top of the provincial growth rankings.

“Provincial exports and manufacturing sales were soft in the second quarter, and even though Ontario’s consumers showed some signs of fatigue, we believe that vigorous growth will resume in the second half of this year,” said Craig Wright, senior vice-president and chief economist, RBC.

Learn more about RBC’s Economic Outlook for Ontario [here](#).

Quebec: Still looking for steadier growth

Quebec's economy is growing in fits and starts, and the net effect is a disappointingly slow pace of expansion. RBC revised its provincial growth forecast downward to 1.3 per cent this year from 1.5 per cent in the June Provincial Outlook. The Quebec economy should nonetheless benefit from the lower value of the Canadian dollar, improving conditions in the U.S. market and sustained growth in Ontario's economy, and pick up its pace going forward. Fiscal policy at both the federal and provincial levels should support stronger growth next year: RBC forecasts a modest acceleration in real GDP growth to 1.6 per cent in 2017.

"A sharp drop in manufacturing activity and a corresponding decline in merchandise exports in the second quarter contributed to the latest setback in Quebec," said Craig Wright, senior vice-president and chief economist, RBC. "On the positive side, we believe the Quebec provincial government has met its deficit-elimination objective and measured spending increases and tax relief could come just as the federal government embarks on its infrastructure stimulus measures."

Learn more about RBC's Economic Outlook for Quebec [here](#).

New Brunswick: Growth stalls this year and the future looks dim

While economic conditions remain positive for exports, this year's data has disappointed and the New Brunswick mining sector has been set back substantially by the closure of a major mine. Both the manufacturing and mining sectors are showing signs of sluggish growth in output and employment. RBC forecasts no economic growth, or zero per cent, in New Brunswick in 2016, and a modest improvement to a positive rate of 0.5 per cent in 2017.

"We expect the combination of declining overall employment and tax increases to blunt growth in consumer spending," said Craig Wright, senior vice-president and chief economist, RBC. "In addition, unemployment rates are stubbornly high, particularly in northern New Brunswick which has seen a disproportionate share of job losses."

Learn more about RBC's Economic Outlook for New Brunswick [here](#).

Nova Scotia: A growing population and an economy to match

Non-energy exports, manufacturing, and increasingly consumer spending, are key drivers of a prospective pickup in economic growth in Nova Scotia this year. RBC projects provincial GDP growth of 1.2 per cent in 2016. However, this growth rate is expected to ease marginally in 2017 to 1.1 per cent as major construction projects wrap up.

"Nova Scotia's jobless rate is trending downward and there has been an encouraging turnaround in demographic prospects. Interprovincial outmigration has slowed since the onset of the oil price shock and with the arrival of Syrian refugees, international migration has spiked to the highest level since the end of the Second World War," said Craig Wright, senior vice-president and chief economist, RBC.

Learn more about RBC's Economic Outlook for Nova Scotia [here](#).

Prince Edward Island: Slowing exports a setback for the island economy

Economic conditions have softened on Prince Edward Island since the release of RBC's June Provincial Outlook report. Export growth has stumbled and investment activity is weaker, with little offset coming from fiscal policy. While strong gains in employee compensation have lent some support for consumer-oriented industries, provincial employment has declined at an accelerated pace so far this year. RBC expects the Prince Edward Island economy to expand by 1.1 per cent in 2016 and 0.8 per cent in 2017.

"Rising employee compensation no doubt contributed to solid gains in retail sales and tourism activity in P.E.I. appears to be brisk this year," said Craig Wright, senior vice-president and chief economist, RBC. "But exports are on track for a modest increase, which would be a departure from five years of robust export growth."

Learn more about RBC's Economic Outlook for Prince Edward Island [here](#).

Newfoundland and Labrador: Tough times to continue

The Newfoundland and Labrador economy is in the midst of a rough patch. Lower oil prices and royalties have prompted deep cuts in government spending. Employment is declining and investment spending is receding as major capital projects approach completion. RBC expects real GDP to decline by 0.2 per cent in 2016 and then by 1.5 per cent in 2017 as investment spending falls further.

"Employment is declining for the third straight year in Newfoundland and Labrador and our pessimistic economic forecast is based on lower investment spending as activity winds down on major oil and power projects," said Craig Wright, senior vice-president and chief economist, RBC.

Learn more about RBC's Economic Outlook for Newfoundland and Labrador [here](#).

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