



## RBC ECONOMIC OUTLOOK – PROVINCIAL FACT SHEET

Highlights from across Canada

**December 16, 2016**

### **British Columbia: And so the post-housing boom begins**

After outperforming the national economy for six consecutive years, British Columbia faces a year of transition. RBC projects a more moderate growth rate of 1.7 per cent in 2017, contrasted with the upwardly revised rate of 3.3 per cent in 2016. With all three levels of government focused on housing risks, RBC expects the recent cooling in home resale activity in the Vancouver area to continue. Moreover, the potential for trade conflict with the U.S. over softwood lumber creates increased uncertainty for the province's forestry sector.

“Despite a more moderate growth outlook for 2017, strong private sector employment gains have helped maintain a vibrant labour market in British Columbia,” said Craig Wright, senior vice-president and chief economist, RBC. “While the effect of a cooler housing market is likely to affect the real estate industry, manufacturing and household services sectors will likely sustain job creation in B.C.”

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

### **Alberta: The return of positive growth**

After a difficult two year-long recession, recent developments have set the stage for positive growth in Alberta. RBC forecasts GDP growth at 2.2 per cent in 2017, followed by even stronger growth of 3.3 per cent in 2018. The federal government's recent approval of two major pipelines (Kinder Morgan's Trans Mountain and Enbridge's Line 3) alongside OPEC's reduction in crude oil production starting in January 2017 is expected to boost confidence and spur the recovery of energy-sector investment in the province.

“It has been disappointing to see the weakness in Alberta's energy sector spread to other sectors of the economy throughout 2016,” said Craig Wright, senior vice-president and chief economist, RBC. “We expect that signs of a recovery will soon emerge in Alberta's labour market, which will have broad beneficial effects across industrial sectors in 2017.”

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

### **Saskatchewan: Light at the end of the tunnel?**

Some recovery in the mining sector is expected to send Saskatchewan's economy back into the growth column in 2017. RBC forecasts GDP growth at 1.7 per cent, along with further modest gains in 2018. With oil prices expected to rise in 2017, approximately one-half of the decline in provincial oil output from 2016 is seen to be reversed. Unfortunately, a non-energy mining recovery does not appear to be in store for the period ahead.

"Our forecast for the Saskatchewan economy assumes employment growth will return to positive territory in 2017, albeit showing only a modest gain, as GDP growth improves," said Craig Wright, senior vice-president and chief economist, RBC. "The current unemployment rate of 6.5 per cent represents a steady upward trend from 2014 when Saskatchewan had the lowest unemployment in Canada."

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

### **Manitoba: Outperforming the national economy**

Manitoba is poised to keep its status as an outperformer relative to GDP growth rates across the country. RBC expects the rate of expansion to accelerate from 1.9 per cent in 2016 to 2.3 per cent in 2017. Expenditures by Manitoba Hydro on a number of power projects continue to drive construction activity, while further strengthening in the U.S. economy and in the oil-producing provinces to the west are likely to contribute to broad based gains in the manufacturing sector.

"Our projected overall growth rate in Manitoba reflects the expectation that manufacturing activity will make a greater contribution to the provincial economy," said Craig Wright, senior vice-president and chief economist, RBC. "With stronger economic growth projected for 2017, we're forecasting a 1 per cent increase in Manitoba's job growth."

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

### **Ontario: Gearing up to be in the pole position**

Although RBC forecasts a slight moderation in pace compared to 2016 with a growth rate of 2.3 per cent in 2017, active consumer spending, solid job creation and increased infrastructure spending will keep Ontario's economy moving at a fairly brisk tempo. The projected slowing in growth in 2017 in part reflects an anticipated cooling in Ontario's housing sector, which would gradually exert a restraining effect on growth after contributing steadily to it in recent years.

"Multi-billion dollar investment programs from both the provincial and federal levels of government will add meaningful growth to Ontario's economy," said Craig Wright, senior vice-president and chief economist, RBC. "That being said, recent political developments in the United States have clouded the outlook for the provincial external trade sector."

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

### **Quebec: Familiar outcome in the cards**

Quebec's economy is expected to see very little change in its growth rate in 2017, with only marginal acceleration to 1.6% projected from 1.5% in 2016. However, RBC forecasts some notable changes with respect to the sources of growth: greater contribution from government spending (including on infrastructure) and business investment, and lesser contribution from residential investment. RBC expects overall fiscal policy in Quebec to be a tailwind for its economy, due to an easing in restraint at the provincial level, coinciding with a boost in infrastructure investment from the federal government.

"There are encouraging signs that businesses are finally turning the tap on non-residential investments in Quebec," said Craig Wright, senior vice-president and chief economist, RBC. "Real spending on industrial and commercial structures increased in both the second and third quarters of 2016 which bodes well for further recovery to take hold in Quebec in 2017."

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

### **New Brunswick: Sluggish growth trend firmly in place**

Following four years at a standstill, New Brunswick's economy experienced impressive growth in 2015, but unfortunately it stalled again in 2016. The slowdown is attributed to a major mine closure, falling employment and lower exports. Forestry and paper product exports have grown steadily, but the expiry of the Canada-US Softwood Lumber Agreement presents a potential threat to the industry. Adverse demographic trends such as a declining working-age population and a dim outlook for capital investment leads RBC to project zero GDP growth in 2016 and modest rates of 0.5 per cent in 2017 and 0.8 per cent in 2018.

"Overall New Brunswick employment picked up during the summer and fall of 2016," said Craig Wright, senior vice-president and chief economist, RBC. "However, with significant job losses in the public sector, and as the provincial government continues to grapple with a large deficit, there is little scope for renewed hiring."

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

### **Nova Scotia: Another year of steady growth ahead**

Nova Scotia's economy is maintaining a steady pace of growth, and is expected to continue at a moderate pace for the next two years. RBC projects Nova Scotia's economy to expand by 1.1 per cent in 2017 and 1.2 per cent in 2018. The steep (67 per cent) drop in exports of natural gas and other energy products weighs on the total exports, as multiple sectors are seeing export values declining. Elevated shipbuilding activity and a migration-fuelled improvement in demographics are expected to help offset sluggish export growth, an ageing population, and a dimmer outlook for capital investment.

“Nova Scotia’s unemployment rate declined only slightly in 2016, despite negative employment growth,” said Craig Wright, senior vice-president and chief economist, RBC. “Looking ahead, we expect net job creation in Nova Scotia to resume in 2018, though improvement in the unemployment rate will be modest as more people move back to the province and look for work.”

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

### **Prince Edward Island: Maintaining a measured pace**

Prince Edward Island’s economy will continue to grow in 2017, although at a slightly weaker pace. After growing at an estimated 1.1 per cent in 2016, RBC projects P.E.I.’s GDP to grow at a pace of 1.0 per cent in both 2017 and 2018. Exports have been held back by manufacturing, as provincial exports of products other than food fell over 20 per cent year to date. A boost in the provincial government’s capital spending plan should be positive for growth; however, an increase in the provincial portion of the HST that came into effect on October 1, 2016 is likely to have a counteractive effect in the near-term.

“Prince Edward Island’s labour market has gone through tough adjustments in 2016 as employment fell towards the beginning of the year, led by a startling drop in public-sector jobs,” said Craig Wright, senior vice-president and chief economist, RBC. “That said, we believe that a positive outlook for the food product industry and tourism sector will keep P.E.I overall growth steady.”

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

### **Newfoundland and Labrador: Economic contraction to resume in 2017**

Newfoundland and Labrador’s two year-long economic contraction is poised to pause temporarily with the recent pick-up in oil production. However, a fall in capital investment spending from major projects nearing completion, and persistent fiscal austerity will be dominant forces causing the economic contraction to intensify in 2017. RBC expects no growth in the economy in 2016 and a sharp -2.2 per cent GDP decline in 2017. Back-to-back budget deficits will cause Newfoundland and Labrador’s net debt to surge, and the debt will likely continue to balloon with sizable deficits projected in the coming years.

“Newfoundland and Labrador’s jobless rate is expected to reach a six-year high in 2016, due to losses in both the public and private sectors,” said Craig Wright, senior vice-president and chief economist, RBC. “Labour market conditions are likely to deteriorate further in 2017, as we project the unemployment rate in Newfoundland and Labrador to rise which will also result in downward pressure on consumer spending.”

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

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