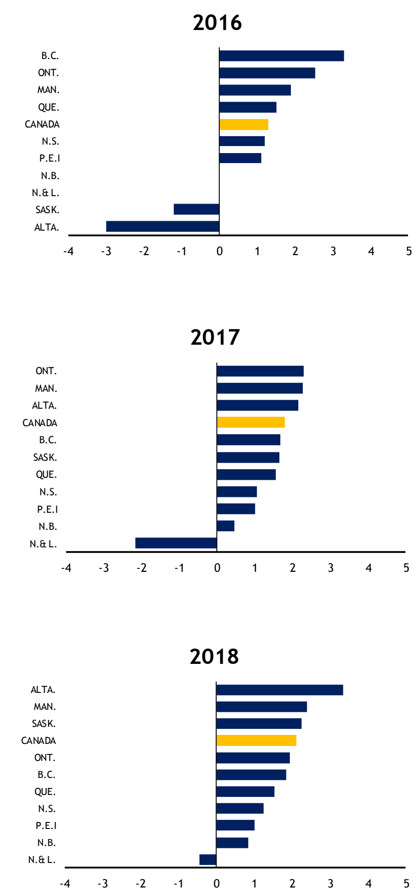
PROVINCIAL OUTLOOK

December 2016

Real GDP growth

% change



Source: Statistics Canada, RBC Economics Research

Both opportunities and risks for provincial economies in 2017

- Barring any unexpected adverse events, all provincial economies are set to grow in 2017 except Newfoundland and Labrador where we anticipate a drop in capital investment and persistent fiscal austerity to cause a further contraction of activity (of 2.2%).
- We expect Alberta (+2.2%) and Saskatchewan (+1.7%) to return to positive growth as energy revenues begin to recover and confidence starts to rebuild following two very difficult years in 2015 and 2016.
- We project Ontario and Quebec to deviate very little from the growth paths each pursued in 2016. In the case of Ontario (+2.3%), we see a slight slowing in the pace in 2017 in part due to our anticipation of a moderation in the provincial housing market. For Quebec (+1.6%), our forecast shows a marginal acceleration owing to an easing in fiscal restraint in the province.
- Our growth rankings for 2017 show Manitoba (+2.3%) standing with Ontario at the number one spot. We expect Manitoba's economy to receive a boost from construction projects and broader strength in the provincial manufacturing sector.
- Giving up the top spot it held in 2016 will be British Columbia, where we expect the recent cooling in home resale activity to be largely sustained in 2017, thereby quieting off a powerful source of growth in the province during the past few years. Our GDP forecast for British Columbia (+1.7%) would be weaker than the national average (1.8%) for the first time in six years.
- We project weak but steady growth in most of Atlantic Canada. Our forecast calls for rates of expansion of 1.1% for Nova Scotia, 1.0% for Prince Edward Island and 0.5% for New Brunswick. These provinces will continue to face challenging demographic trends and dim capital investment prospects that restrain their potential rate of growth.
- As global energy markets enter a recovery phase in 2017, we see an opportunity for a welcome turnaround in oil-producing provincial economies and more uniform growth performance across Canada.
- At the same time, there will remain plenty of risks—including rising protectionist sentiments globally and potential unintended effects of policy interventions in the domestic housing market—that could lead to weaker than expected outcomes.
- In this issue of Provincial Outlook, we take our first peek at 2018, which reveals further improvement for oil-producing provinces with faster-projected growth in Alberta and Saskatchewan, and a slower pace of contraction in Newfoundland and Labrador. Our growth forecast is little changed from 2017 for most other provinces, except in New Brunswick where we project a slight acceleration, and Ontario where we expect a modest easing in the pace.

Brighter prospects for Alberta and Saskatchewan key for stronger growth nationally

To be sure, 2016 has been quite an eventful year with many expected and unexpected developments—both at home and on the international scene—that shaped the performance of provincial economies. Some of these developments will continue to play a role in 2017. Among them will be the federal government fiscal stimulus plan, the recent tightening of mortgage insurance rules, a new 15% tax on foreign homebuyers in Metro Vancouver, Brexit, the election of Donald Trump as US President and OPEC's announcement of oil production cuts, which will exert varying and complex influences across the country, as well as maintain a high degree of uncertainty. Amidst it all, we expect an improved outlook for global energy prices—we forecast WTI to rise from an average of US$43 per barrel in 2016 to US$56 per barrel in 2017—to be particularly positive for oil-producing regions of Canada. Along with the ramping up in federal infrastructure spending, we believe that brighter prospects in Alberta and Saskatchewan will be a key contributor to stronger expected growth of 1.8% in Canada in 2017 compared to 1.3% in 2016. Such a strengthening in growth, however, clearly is contingent on our outlook for oil prices being realized.

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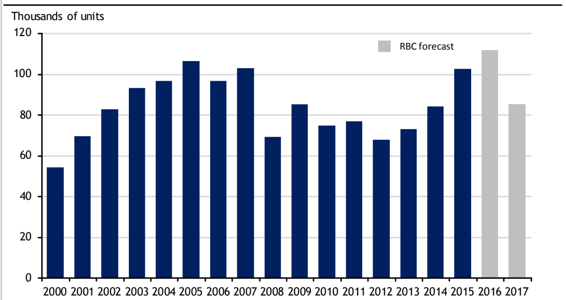
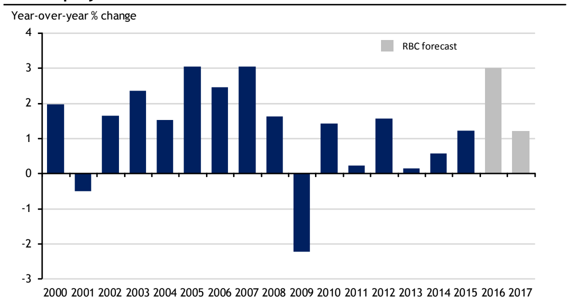
British Columbia

BC: Home resales



Source: CREA, RBC Economics Research

BC: Employment



Source: Statistics Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.5	3.3	3.3	3.3	1.7	1.8
Nominal GDP	3.4	5.2	3.8	4.9	3.7	3.9
Employment	0.1	0.6	1.2	3.0	1.2	0.7
Unemployment rate (%)	6.6	6.1	6.2	6.1	6.1	6.3
Retail sales	2.4	5.6	6.0	6.1	3.5	3.4
Housing starts (units)	27,054	28,356	31,446	40,900	28,800	32,000
Consumer price index	-0.1	1.0	1.1	1.9	2.3	1.8

Robert Hogue
Senior Economist

And so the post-housing boom times begin

2017 will be a year of transition to a more moderate pace of growth in British Columbia after an impressive run of six consecutive years of outperforming the national economy. We expect the recent cooling in home resale activity in the Vancouver area will be largely sustained in the period ahead, which will quiet down a powerful source of growth in recent years in the province. Moreover, the likelihood of another trade conflict with the United States on softwood lumber threatens the vitality of many communities across the province. Despite a lesser contribution from housing and increased uncertainty in the forestry sector, British Columbia's economy still will have much going for it in 2017. Among other things, its manufacturing sector will continue to benefit from a more competitively valued Canadian dollar, and its household services sector from constructive population migration flows. We project real GDP to grow by a respectable rate of 1.7% in 2017, although this would be down from an upwardly revised rate of 3.3% in 2016. We see the moderation in growth being largely sustained in 2018 when we project a rate of 1.8%.

All eyes on Vancouver's housing market

Vancouver continues to attract national attention for the intense stress in its housing market. More recently, the conversation has focused on the cooling down of activity that began in the spring of 2016 and which intensified after the provincial government introduced a new 15% tax on homes purchased by foreign residents in the Metro Vancouver area in August. We believe that policymakers at all three levels of government will remain committed to addressing housing market risks and keeping policy geared toward tempering housing demand during 2017. Ultimately, we expect this policy-engineered cooldown to rein in the flow of foreign wealth into the province and slow down the rate of home price increases significantly—both factors working to temper the so-called 'wealth effect' that, in our view, has fueled much economic activity in the province in recent years.

Labour market moderating but still vibrant

Part of the BC economy's solid momentum is attributable to its strong labour market which generated impressive employment gains since mid-2015. These gains occurred mainly in the private sector in industries such as construction, retail and wholesale trade, finance and real estate, and professional and business services. While we expect a cooler housing market to weigh on employment in some of these industries (e.g. real estate), still-robust manufacturing and household services sectors should sustain job creation in the province.

Potential for softwood lumber trade turmoil

The recent expiry of the 2006 Softwood Lumber Trade Agreement between Canada and the United States raises the spectre of another round of trade dispute in this century-old saga. At this stage, there is much uncertainty about the form and timing of any resolution that eventually will be reached; however, we assume that higher trade barriers will be erected by the United States early in 2017 while negotiations take place.

Pipeline construction to get a boost

The recent approval by the federal government of Kinder Morgan's Trans Mountain pipeline project opens the door to a major \$6.8 billion capital investment that will occur mostly in British Columbia. With construction scheduled to start in the fall of 2017 and run until late 2019, the bulk of the economic benefits from construction would accrue in 2018 and 2019.

Alberta

The return of positive growth

A couple of significant developments at the end of November 2016 will help to set the stage for a return to positive growth in Alberta in 2017. First, the federal government gave its approval to two major pipeline projects, which will address access to market concerns in the province's energy sector. And second, OPEC announced a meaningful reduction in crude oil production starting in January 2017 that will chip away at the global supply glut and put oil prices on a higher trajectory. We believe that both news will give a much needed boost to confidence and incomes in Alberta after a very difficult two year-long recession during which the economy contracted by 6.5% cumulatively—including a projected decline of 3.0% in 2016. In particular, we expect that energy-sector investment will begin to recover from its deep slump in the period ahead. With such activity no longer anticipated to be a major drag on provincial growth, and with rebuilding work in Fort McMurray hitting its stride, we forecast Alberta's real GDP to grow by 2.2% in 2017. As further recovery unfolds and spread more vigorously to other economic sectors, we see the prospects for even stronger growth of 3.3% in 2018.

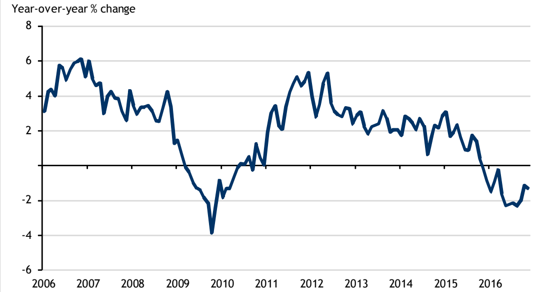
Shots in the arm at last

Although the federal government's approval of Kinder Morgan's Trans Mountain pipeline and Enbridge's Line 3 projects (Enbridge's Northern Gateway project was rejected, however) will not relieve oil transportation bottlenecks right away (both are scheduled to enter into service in 2019), it brings assurance to Alberta's energy sector that pipeline capacity (set to increase by more than one-fifth) will accommodate future oil production increases. Perhaps more importantly, the Trans Mountain pipeline—which runs from Alberta to the Pacific Coast—will help increase access to fast-growing Asian markets. We expect a more immediate effect from the production cuts of 1.2 million barrels per day announced by OPEC members and 600,000 barrels per day by a number of non-OPEC countries (including Russia) for a period of six months (extendable by a further six months) starting in January 2017, however. Higher global prices resulting from these cuts will boost revenues quite promptly for provincial producers at a time when their cost structures have been slimmed down considerably in the past couple of years. The upshots of these developments for the industry are 1) a brighter near-term financial performance outlook, and 2) reduced medium-term uncertainty with respect to transportation capacity—both of which, in our view, arguing in favour of a recovery in energy-related capital spending in the province in 2017.

Recovery in the rest of the economy will follow

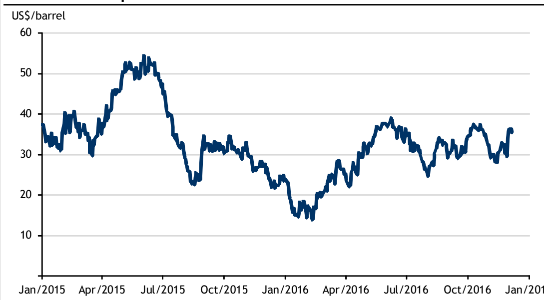
It has been disappointing—although not surprising—to see the weakness in Alberta's energy sector spread to other sectors of the economy in 2016. The loss of more than 63,000 jobs (net) in the province between early 2015 and the middle of 2016 clearly put tremendous stress on wide array of service- and goods-producing industries. We note that in 2016 activity declined in the retail trade sector, the housing and commercial real estate markets, manufacturing, and transportation. We believe, however, that signs of a recovery will soon emerge in Alberta's labour market, which will have broad beneficial effects across industrial sectors in 2017.

Alberta: Employment



Source: Statistics Canada, RBC Economics Research

WCS crude oil price



Source: Bloomberg, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	5.7	5.0	-3.6	-3.0	2.2	3.3
Nominal GDP	9.6	8.9	-12.5	-3.9	8.8	8.4
Employment	2.5	2.2	1.2	-1.6	0.2	1.1
Unemployment rate (%)	4.6	4.7	6.0	8.1	8.2	7.3
Retail sales	6.9	7.5	-4.6	-2.1	1.7	4.2
Housing starts (units)	36,011	40,590	37,282	25,200	24,000	26,300
Consumer price index	1.4	2.6	1.2	1.0	1.7	1.9

Robert Hogue
Senior Economist

Saskatchewan

Light at the end of the tunnel?

We expect some recovery in the mining sector to send Saskatchewan growth back into the positive column in 2017, rising 1.7% after two years of contraction, including a downwardly revised 1.2% decline in 2016. We see further modest gains in mining along with an anticipated pick-up in construction spending putting growth on a faster track in 2018 at 2.2%.

Energy sector to turnaround

Our dimmer view on 2016 GDP growth for Saskatchewan relative to the -0.9% rate that we forecasted in September is mainly predicated upon our revised assumption that mining output will decline by a greater-than-expected rate of 7% in 2016. This drop in output in large part reflects year-to-date data indicating a double-digit drop in provincial oil production. However, with oil prices expected to strengthen in 2017, helped in part by both rising demand and reduced global supply, our forecast assumes that about one-half of this decline will be reversed in 2017. We also expect non-energy mining to contribute to the weakness in 2016 with potash projected to drop by 12%. Unfortunately, a non-energy mining recovery does not appear to be in store for 2017 because we expect activity to continue to decline in 2017, albeit at half the 2016 pace. Our forecast assumes that a strengthening global economy prevents the declining activity in non-energy mining from persisting into 2018. Recent anecdotal reports of scheduled potash production shutdowns in 2016 and 2017 are consistent with declining activity persisting near term.

Crop volumes to rise though quality deteriorates

The weakness in the mining sector is expected to be partly offset by a recovery in the 2016 harvest—at least in terms of volumes. Recent estimates from Statistics Canada for the 2016 harvest suggest growth in the principal grain and oilseed crops (wheat, canola and barley) of 9% following a 0.5% decline in 2015. However, the boost to farm incomes will be tempered by indications that late rains weighed on the quality of the crop. Crop payments will also be tempered by generally weaker grain and oilseed prices globally. Though the assumption of more favourable growing conditions in 2017 and 2018 will not necessarily boost the volume of the harvest, it would contribute to improved quality and thus farm incomes.

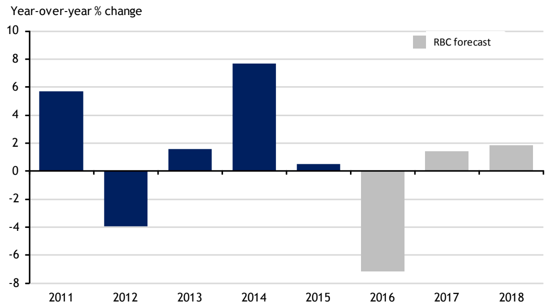
Capital spending to rise… in 2018

The earlier weakness in the mining sector has clearly dampened capital expenditure in that sector. With the projected modest recovery in mining activity through the forecast, our expectation is that capital spending will eventually return to positive growth though not likely until 2018 following an expected three-year stretch of declining activity.

Recent labour market weakness to ease

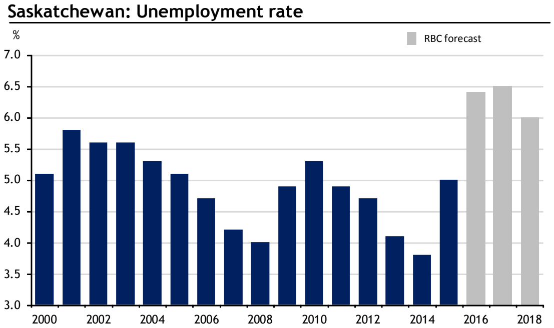
A continuation of declining GDP activity in 2016 following the 1.3% drop in 2015 is consistent with indications that employment growth in the province is weakening. After a modest 0.5% increase in 2015, monthly data show employment dropping almost 1% in 2016. Our forecast assumes employment growth will return to positive territory in 2017 as GDP growth improves though with hiring rising by a modest 0.3% though further strengthening to 0.9% in 2018. Current weakness in labour markets is also evident looking at the unemployment rate which is expected to rise to 6.5% in 2017 representing a steady upward trend from a recent low in 2014 of 3.8% when Saskatchewan had the lowest unemployment rate in the country.

Saskatchewan: Mining sector real GDP



Source: Statistics Canada, RBC Economics Research

Saskatchewan: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	6.3	2.4	-1.3	-1.2	1.7	2.2
Nominal GDP	6.7	1.3	-5.7	-3.7	5.9	5.1
Employment	3.1	1.0	0.5	-0.9	0.3	0.9
Unemployment rate (%)	4.1	3.8	5.0	6.3	6.5	6.0
Retail sales	5.1	4.6	-3.5	0.7	2.6	4.1
Housing starts (units)	8,290	8,257	5,149	4,800	4,900	7,800
Consumer price index	1.4	2.4	1.6	1.3	2.5	2.7

Paul Ferley
Assistant Chief Economist

Manitoba

Manitoba to keep outperforming the national economy

We have kept our growth outlook for Manitoba unchanged from the September issue of Provincial Outlook: we expect the rate of expansion to accelerate from 1.9% in 2016 to 2.3% in 2017. Our initial view on 2018 is that momentum will continue to build to a rate of 2.4%. This growth profile is indicative of Manitoba keeping its status as an outperformer relative to the national average through the forecast.

Construction activity to rise

A key factor contributing to Manitoba's growth both rising at an above-average rate and strengthening in 2017 relative to 2016 is healthy construction spending. A lion's share of this strength reflects continuing expenditure by Manitoba Hydro on a number power projects including Keeyask Generating Station and the Bipole III Transmission Line. These projects involve total expenditures of around $12 billion with spending spread over a number of years with the former continuing until 2021, although the latter will end in 2018. As spending by Manitoba Hydro starts to ease in 2018, we expect other projects—including a number of mixed-use commercial/office/residential projects in downtown Winnipeg—to fill the gap.

Strength in manufacturing to broaden

Our projected acceleration in overall GDP growth in 2017 also reflects our expectation that manufacturing activity will make a greater contribution. Recent manufacturing data suggests modest growth in this sector in 2016 of around 2%, which would represent an improvement from a 2% decline in 2015. The data indicates some improvement in formerly declining sub-sectors such as machinery and fabricated metals; however, these gains are tempered somewhat by a softening in transportation equipment and furniture. Our forecast assumes that further strengthening in the US economy and some recovery in the oil-producing provinces to the west of Manitoba will contribute to more broadly based gains within manufacturing going forward.

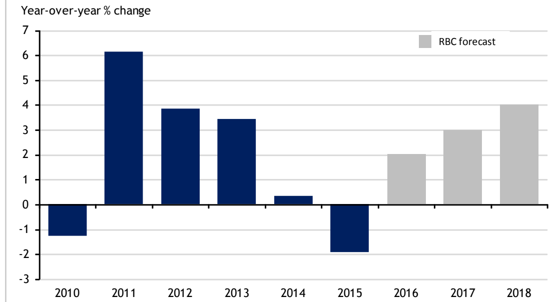
Agriculture output remains at high levels

After very good year in 2015, grain and oilseed production is expected to remain at an elevated level in 2016 and through the remainder of our forecast. However, adverse weather late in the 2016 growing season is expected to lower the quality of the year's crop with negative implications for farm incomes. The drop in quality occurred at a time when grain and oilseed prices were already weak because of strong global supplies in recent years. Our assumption of more 'normal' growing conditions in 2017 would have more of an upward impact on the quality of the crop rather than its size, although this would be sufficient to provide a boost to farm incomes.

Recent employment weakness to reverse

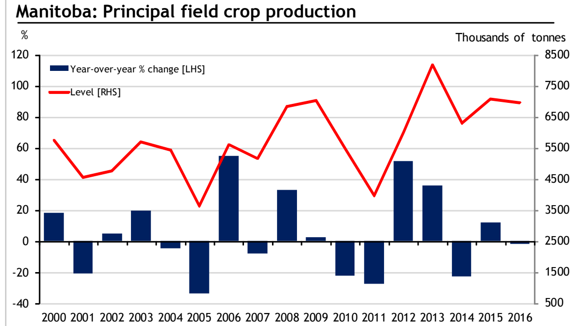
While indications that employment will decline 0.4% in Manitoba in 2016 may pose a downside risk to our outlook, we believe that the 2016 soft patch was primarily payback for the outsized (and nation-leading) 1.6% increase recorded in 2015 rather than reflecting a drop in business confidence affecting hiring intentions. Our forecast assumes that stronger economic growth in 2017 will set the stage for a return to positive job growth of 1.0%. We expect Manitoba's unemployment rate to ease back to 5.8% in 2017, after the soft patch sent it higher to a projected to 6.1% in 2016 from 5.6% in 2015.

Manitoba: Manufacturing sector real GDP



Source: Statistics Canada, RBC Economics Research

Manitoba: Principal field crop production



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.8	1.5	2.2	1.9	2.3	2.4
Nominal GDP	4.2	2.5	3.1	2.8	4.4	4.4
Employment	0.7	0.1	1.6	-0.4	1.0	0.8
Unemployment rate (%)	5.4	5.4	5.6	6.1	5.8	5.6
Retail sales	3.9	4.3	1.5	4.8	4.2	4.1
Housing starts (units)	7,465	6,220	5,501	5,400	7,100	6,800
Consumer price index	2.3	1.8	1.2	1.4	2.5	2.2

Paul Ferley
Assistant Chief Economist

Ontario

Gearing up to be in the pole position

Despite our expectation for a slight moderation in the pace compared to both 2015 (2.5%) and 2016 (2.5%), we believe that Ontario will be in the pole position among provinces in 2017 with a growth rate of 2.3%. We expect that most major sectors of the economy will chip in to sustain a fairly brisk tempo (by the new, slower global standards): we anticipate consumers to remain quite active (motivated by solid job creation and the wealth effect from rising property values); governments to ramp up spending on infrastructure; and businesses to boost investment in non-residential structures, and machinery and equipment. On the other hand, we expect Ontario's housing sector to enter a cooling phase in 2017 and gradually exert a restraining effect on growth after contributing steadily to it in recent years. Recent political developments in the United States have clouded the outlook for the provincial external trade sector. We introduce our growth forecast for 2018, which shows further modest deceleration to 1.9%.

Bright job prospects to keep consumers motivated to spend

The news has been reasonably positive in Ontario's labour market in 2016 with the creation of 71,000 net new jobs during the first 11 months of the year and the unemployment rate easing to a six-year low of 6.3% in November; although we note that the employment gain was concentrated in part-time positions following a very strong increase in full-time employment in 2015. We expect to see the further creation of approximately 70,000 additional jobs in the province in 2017, thereby maintaining downward pressure on the unemployment rate and bolstering household confidence. Such constructive labour market conditions bode well for consumer spending remaining a key contributor to growth in the year ahead.

Government to ramp up infrastructure investment

Multi-billion dollar infrastructure programs at both the provincial and federal levels are kicking into higher gear and we expect spending will ramp up in 2017. Ontario's Economic and Fiscal Review published in October 2016 shows that including federal and third party contributions to projects, total infrastructure expenditures will surge by 37% to $17.4 billion in fiscal 2016-17. An increase of this magnitude would add meaningfully to provincial growth.

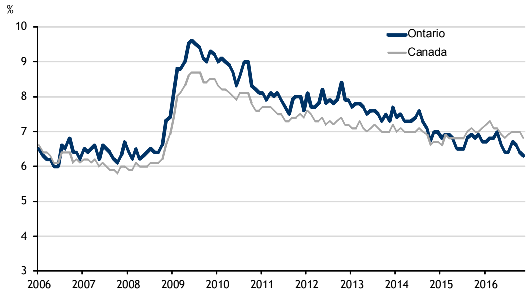
Time has come for hot housing market to cool down

Intense affordability stress, prospects for higher interest rates and recent policy moves intended to cool down Canada's hot markets (Vancouver and Toronto) are poised to dampen activity in Ontario's housing sector in 2017. We expect home resales to decline by more than 10% (from an all-time high of 239,000 units in 2016), and housing starts to moderate by 4% to 72,500 units. We believe that softer housing activity will be a key factor contributing to a slight deceleration in overall economic growth in the province in 2017.

External trade uncertainty

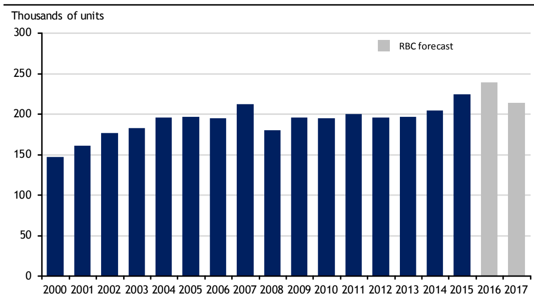
While a strengthening US economy and more competitively valued Canadian dollar relative to its US counterpart would normally set a positive stage for Ontario exporters, the recent election of Donald Trump as President of the United States has added a new layer of uncertainty, especially with respect to his campaign promise to renegotiate NAFTA. At this stage, we assume no deliberate action that would impede Ontario's exports to the US, although there is a risk that any uncertainty regarding NAFTA could have a detrimental effect at the margin.

Ontario: Unemployment rate



Source: Statistics Canada, RBC Economics Research

Ontario: Home resales



Source: CREA, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	1.5	2.7	2.5	2.5	2.3	1.9
Nominal GDP	2.2	4.7	4.9	3.5	3.9	3.6
Employment	1.8	0.8	0.7	1.1	1.0	0.9
Unemployment rate (%)	7.6	7.3	6.8	6.6	6.2	6.0
Retail sales	2.3	5.0	4.2	4.4	3.9	3.8
Housing starts (units)	61,085	59,134	70,156	75,400	72,500	62,500
Consumer price index	1.1	2.3	1.2	1.8	2.5	2.1

Robert Hogue
Senior Economist

Quebec

Familiar outcome in the cards

The economic story for 2017 in Quebec is likely to have a familiar ring to it: growth-wise, we expect very little change compared to 2016—or 2015, 2014 and 2013 for that matter—with the provincial economy accelerating its pace only marginally to 1.6% from an upwardly revised 1.5% in 2016. Beneath the surface, however, we expect some notable changes with respect to the sources of growth: we see greater contribution coming from government spending (including on infrastructure) and business investment, and lesser contribution from residential investment. Amidst it all, Quebec consumers are poised to keep spending at a largely steady clip—in part supported by further gains in the job market—while we expect net exports to have a fairly neutral impact. Historically, we would have considered a growth rate of 1.6% disappointing; yet by today's standards, this is possibly slightly stronger than Quebec's new 'run-rate'. Our initial take on the outlook for 2018 maintains the steady growth trajectory of the past few years with a projected 1.5% increase.

Economy picks up some steam as 2016 draws to a close

Although annual growth has been relatively steady in recent years, the pattern within the year has been one of fits and starts. This was very much in evidence during the first half of 2016 when a fairly solid start to the year (quarterly growth of 2.8% annualized in the first quarter) was followed by a disappointing slowdown in the second quarter (growth of 0.8%). More recent data from the Institut de la statistique du Québec, however, suggests that the pace of activity has picked up again. In particular, we have seen advances in manufacturing, transportation services, finance, real estate, health services and the hospitality industry in recent months that we believe will drive provincial growth up to 2.2% in the third quarter and 1.8% in the fourth quarter.

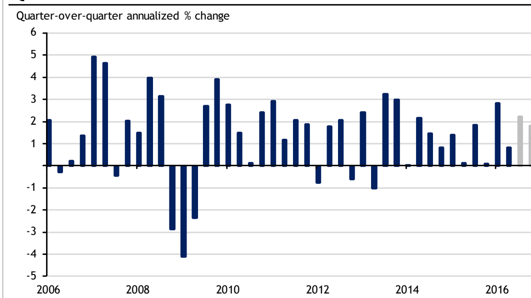
Fiscal policy tailwind in 2017

As expected, the Quebec government confirmed in October that its budget was in surplus in fiscal 2015-16 (a record $2.2 billion), thereby more than meeting its long-standing commitment to balance its books by that year. We believe that provincial fiscal policy will become less restrictive going forward. Indeed, along with the release of its Economic Plan Update in October, the Quebec government announced some modest expenditure increases on health care, economic development, education and public infrastructure, as well as the elimination of the health contribution one year ahead of schedule. This easing in restraint at the provincial level will coincide with the federal government moving ahead with its own plan to boost infrastructure investment and put more money in the pockets of many families. Therefore, we expect overall fiscal policy in Quebec to be less of a headwind and more of a tailwind for Quebec's economy.

Business investment turning a corner

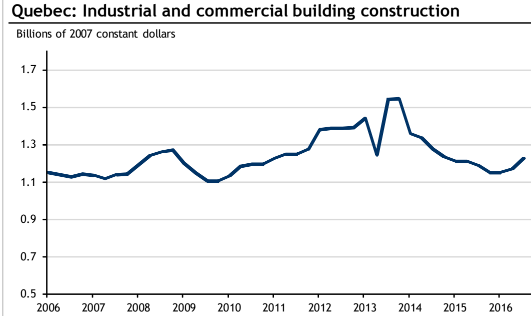
There are encouraging signs that businesses are finally turning the tap on non-residential investments in the province. Real spending on industrial and commercial structures increased in both the second and third quarters of 2016—the first back-to-back rises since 2013—which bodes well for further recovery to take hold in 2017. We also expect that competitive pressure will compel firms to raise their investment in cutting-edge machinery and equipment from low levels in recent years.

Quebec: Real GDP



Source: ISQ, RBC Economics Research

Quebec: Industrial and commercial building construction



Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

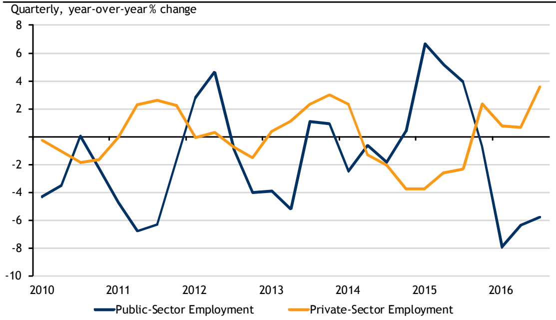
% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	1.4	1.3	1.2	1.5	1.6	1.5
Nominal GDP	3.0	1.9	2.6	2.6	3.3	3.3
Employment	1.4	0.0	0.9	0.8	0.8	0.7
Unemployment rate (%)	7.6	7.7	7.6	7.1	6.9	6.7
Retail sales	2.5	1.7	0.5	4.1	3.7	3.7
Housing starts (units)	37,758	38,810	37,926	37,900	34,800	32,500
Consumer price index	0.8	1.4	1.1	0.6	2.0	2.2

Robert Hogue
Senior Economist

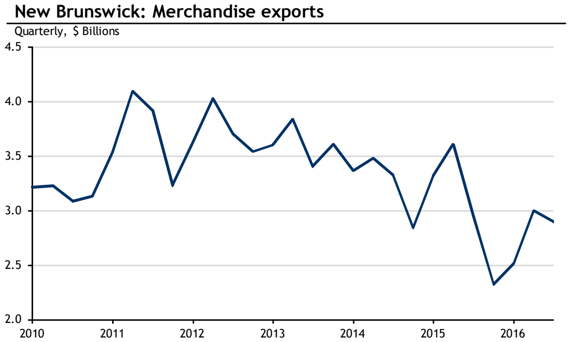
New Brunswick

New Brunswick: Employment



Source: Statistics Canada, RBC Economics Research

New Brunswick: Merchandise exports



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	-0.3	-0.1	2.3	0.0	0.5	0.8
Nominal GDP	0.3	1.0	2.9	1.3	2.2	2.5
Employment	0.4	-0.2	-0.6	-0.2	0.4	0.2
Unemployment rate (%)	10.3	10.0	9.8	9.6	10.0	9.5
Retail sales	0.7	3.8	2.4	2.9	2.0	2.2
Housing starts (units)	2,843	2,276	1,995	1,800	1,800	1,900
Consumer price index	0.8	1.5	0.5	2.3	2.5	2.1

Gerard Walsh
Economist

Sluggish growth trend firmly in place

Revised Statistics Canada estimates clocked the New Brunswick economy at 2.3% growth in 2015, near the top of the provincial growth tables, following four years at a standstill. That impressive growth rate was propelled by mining, manufacturing and a number of service industries. Unfortunately, the 2015 spurt was an exception to the general rule of sluggish growth in New Brunswick. In 2016, the provincial economy appears to have stalled again, as it was buffeted by a major mine closure, falling employment and slumping exports. We believe that there is limited scope for growth to accelerate going forward as adverse demographic trends (including a declining working-age population) and a dim outlook for capital investment undermine the province's potential growth rate. We project zero GDP growth (0.0%) in 2016 and modest rates of 0.5% in 2017 and 0.8% in 2018.

The missing export recovery

The refinery in Saint John produces a sizable share of New Brunswick's exports, and a 19% year-to-date decline in the value of petroleum product exports is the primary factor behind a weakening in total nominal merchandise exports in 2016 in the province. New Brunswick's other major export categories are a mixed bag. Exports of mining and mineral products have dropped by more than 50% in the wake of the closure of the Picadilly potash mine. The mine's closure was yet another blow to a hard-pressed mining industry in the province, which has shrunk by nearly 50% since 2008. Partly offsetting the mining decline in 2016 was an increase in food product exports, led by a 10% year-to-date gain in seafood products. Forestry and paper product exports have grown steadily along with the recovery in US housing starts, but the expiry in October 2016 of the Canada-US Softwood Lumber Agreement presents a potential threat to the industry as protectionist sentiment grows in the United States. The 2006 Agreement excluded Maritime-produced lumber from export taxes and quotas on US-bound exports.

Better days ahead for the job market

While overall provincial employment picked up smartly during the summer and fall of 2016, earlier weakness will weigh on the average for the year, which we expect to decrease by 0.2%. Significant losses have been recorded in the public sector where employment has slipped by almost 6% in the first 11 months of 2016. Relief on this front is not likely to be forthcoming as the provincial government continues to grapple with a large deficit, thereby giving it little scope for renewed hiring going forward. In the private sector, businesses have added workers in manufacturing and a host of service industries. For 2017, we expect sustained private-sector hiring to contribute to a rise of 0.4% in provincial employment—which would represent only the second annual increase in the past nine years. We note that gains in employee compensation have been quite solid in 2016 and these have been supportive of consumer spending. Despite a two percentage point increase in the provincial portion of the HST (which rose from 13% to 15%) on July 1, retail sales, including of motor vehicles, are set to rise moderately by 2.9% in 2016. Activity in New Brunswick's existing home market has remained reasonably brisk, while strength in home renovation more than offset a slightly slower pace in new home building.

Nova Scotia

Another year of steady growth ahead

After several years of subdued growth, revised GDP growth estimates for 2015 and indicators so far in 2016 show that Nova Scotia's economy is maintaining a steady pace. As the outlook begins to sharpen for 2017, and as we open our monitoring for 2018, we are expecting further steady, modest growth will continue in the province in the next two years. Elevated shipbuilding activity and a migration-fuelled improvement in demographics will help offset sluggish export growth, an ageing population, and a dimmer outlook for capital investment. After growing by an estimated 1.2% in 2016, we project Nova Scotia's economy to expand by 1.1% in 2017 and 1.2% in 2018.

Exports remain stuck in low gear

After posting limited gains in 2015, Nova Scotia's merchandise exports are on track for decline in 2016 as the steep (-67%) drop in natural gas and other energy products weighs on the total. However, other sectors are also seeing falling export values including paper products which are down nearly 26% year to date, and tires—Nova Scotia's single biggest export product—have slipped by 2%. Like in other Atlantic Provinces, a bright spot in the export performance in 2016 has been food products, which are being propelled by a 17% increase in shipments of seafood. While exports generally have been a sore spot for the manufacturing sector, shipbuilding is helping to drive robust growth in manufacturing output as work continues in Halifax on new naval vessels for the federal government.

Sluggish job market to weigh consumer spending…

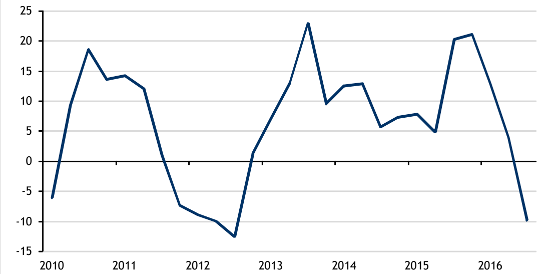
Along with the rest of Atlantic Canada, Nova Scotia is heading toward an overall job decline in 2016, as the private sector sheds workers. Employment losses have been concentrated among full-time workers and in the relatively well-compensated goods-producing industries, including the natural resources sector and construction. While public-sector employment has continued to grow year-to-date, wage restraint by the provincial government is also adding to a slowdown in employee compensation growth. We expect that, over time, weaker labour markets will begin to drag on consumer spending, and that retail sales will grow more slowly in 2017 than in 2016. Despite negative employment growth, the unemployment rate has declined only slightly from 8.6% in 2015 to 8.4% in 2016, as the labour force has contracted largely in step with overall employment. Looking ahead, we expect net job creation to resume in 2017; yet the improvement in the unemployment rate will be modest as increased in-migration—both interprovincial and international—restrains the decline in the working age population and the labour force.

…along with construction activity and the housing market

As a spate of Halifax-centred construction activity waned, investment spending indicators have pointed to a slowing in Nova Scotia's construction sector in 2016, including residential investment (-17%), non-residential construction (-13%) and construction employment (-3%). Looking ahead, we see few new non-residential investment projects coming down the pike, while on the residential side, we expect housing starts to decline from 3,500 units in 2016 to 3,300 units in 2017 as the provincial housing market remains cool and population growth muted.

Nova Scotia: Non-energy merchandise export growth

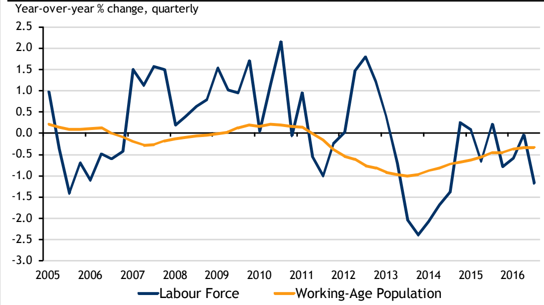
Year-over-year % change, quarterly



Source: Statistics Canada, RBC Economics Research

Nova Scotia: Labour force and working-age population

Year-over-year % change, quarterly



Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	-0.1	0.8	1.0	1.2	1.1	1.2
Nominal GDP	2.1	1.7	2.4	2.6	3.0	3.1
Employment	-1.1	-1.1	0.1	-0.5	-0.2	0.3
Unemployment rate (%)	9.1	8.9	8.6	8.4	8.2	8.2
Retail sales	2.9	2.3	-0.6	3.6	2.6	2.5
Housing starts (units)	3,919	3,056	3,825	3,600	3,300	3,000
Consumer price index	1.2	1.7	0.4	1.1	2.2	2.3

Gerard Walsh
Economist

Prince Edward Island

Maintaining a measured pace

We expect Prince Edward Island's economy to continue to grow in 2017, although the pace is likely to be slightly weaker than in 2016. Recent economic indicators have been mixed with substantial volatility in merchandise exports (which is not unusual for an economy of this size) and a fair degree of softness in the labour market coming amid strong gains in retail sales. Going forward, a boost in the provincial government's capital spending plan should be positive for growth; however, measures to balance the provincial budget—including an increase in the provincial portion of the HST that came into effect on October 1, 2016—are likely to have a counteractive effect in the near-term. Prospects for consumer spending and the housing sector are dimmed by the potential for a lagged negative response to the job losses in 2016, although we expect job creation to resume in 2017. After growing at an estimated 1.1% this year, we project GDP to grow by 1.0% in both 2017 and 2018.

Overall exports held back by manufacturing

Across Atlantic Canada increased volumes and prices for seafood has spurred substantial increases in the value of food exports in 2016. Nowhere is this more important to the provincial economy than in Prince Edward Island where food products account for two-thirds of all merchandise exports. While food products exporters enjoyed a solid 11% advance in nominal export sales during the first nine months of the year, 2016 may be marking the end of a long boom for manufacturers. Provincial exports of products other than food fell over 18% year to date, led by volume declines in chemicals and machinery. This decline follows strong export gains and industry capacity expansion in recent years: led by the aerospace and transportation equipment industry, manufacturing exports have more than doubled since 2010.

Job losses in 2016 unlikely to be repeated

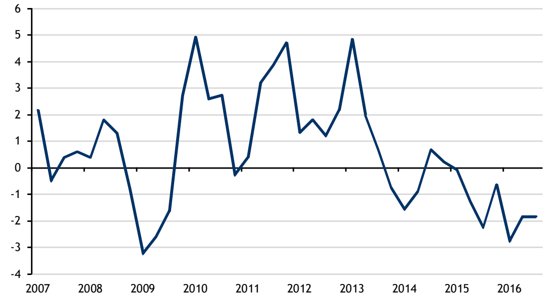
The PEI labour market has gone through tough adjustments in 2016. Employment fell 2.3% in the first 11 months of the year, led by a startling drop in public-sector jobs. While employment data for small provinces can be notoriously volatile, the data shows that almost one in ten public-sector jobs has been lost, which we believe may be overstated. Over the same period, the labour force contracted by 2.0% as fewer prime-age adults (age 25-54) were working or looking for work. Despite the drop in labour force participation, steep job losses have put upward pressure on the unemployment rate which averaged 10.9% in 2016, half a percentage point higher than in 2015. Going forward as the population ages and the work force continues to contract, renewed job creation should cause the labour market to tighten and gradually reduce the unemployment rate.

Upbeat indicators suggest steady growth

Aside from employment, other indicators continue to show vitality in the provincial economy. Employee compensation has grown strongly, thereby fueling retail and motor vehicle sales. Increased demand for new multi-dwelling units has supported sustained levels of housing starts in the province. Looking ahead, an ageing population and the recent drop in employment pose downside risks; however, we believe that a positive outlook for the food product industry and tourism sector will keep overall growth steady.

Prince Edward Island: Employment

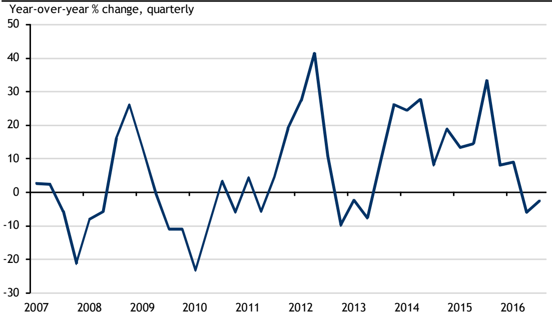
Year-over-year % change, quarterly



Source: Statistics Canada, RBC Economics Research

Prince Edward Island: Merchandise exports

Year-over-year % change, quarterly



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	2.0	1.5	1.3	1.1	1.0	1.0
Nominal GDP	3.2	3.5	3.9	2.4	2.6	2.7
Employment	1.4	-0.1	-1.2	-2.3	0.2	0.5
Unemployment rate (%)	11.5	10.6	10.5	10.9	10.8	10.5
Retail sales	0.8	3.3	2.3	5.4	2.2	2.4
Housing starts (units)	636	511	558	610	780	700
Consumer price index	2.0	1.6	-0.6	1.0	2.4	2.3

Gerard Walsh
Economist

Newfoundland & Labrador

Economic contraction to resume in 2017

A recent pick-up in oil production is poised to bring a temporary pause to the two year-long contraction in Newfoundland and Labrador's economy in 2016; however, we expect that the continued souring of conditions in other sectors, as well as a fall in capital investment spending and persistent fiscal austerity at the provincial level will be dominant forces causing the contraction to resume with even greater intensity in 2017. We expect no growth in the economy in 2016 (0.0%) before lower investment spending causes a sharp -2.2% GDP decline in 2017. In our initial monitoring for 2018, we expect a full year of production at the Hebron oil platform will partially offset further investment declines and slow the pace of economic contraction to -0.5%.

The deficit narrows as spending cuts bite

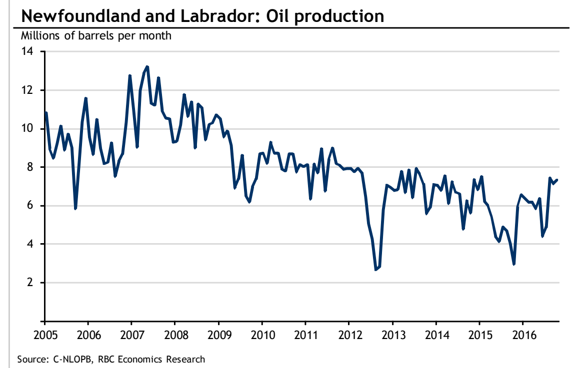
In October 2016, the government of Newfoundland and Labrador released its Fiscal and Economic Update report in which it projects a deficit of $1.6 billion for the 2016-17 fiscal year. Compared with the 2016 budget released in April, the Fall Update projects higher revenues and lower program expenses, pares back the risk adjustment, and has higher debt-servicing costs. While the revised deficit figure is an improvement over the $1.8 billion forecasted in the budget—and a far cry from the government's estimate of a $2.7 billion shortfall had nothing been done to remedy the situation—it remains one of the larger deficits relative to the province's GDP (5.4%) ever recorded by a province in modern times (Newfoundland and Labrador posted the largest-ever deficit in fiscal 2015-16). Major back-to-back budget deficits will cause Newfoundland and Labrador's net debt to balloon—surging as a share of GDP to 49.5% at March 31, 2017, thereby overtaking Quebec as the province with the highest net debt-to-GDP ratio. Unfortunately with further sizable deficits projected in the coming years, Newfoundland and Labrador's debt situation is likely to deteriorate further.

Capital investment spending returning to earth

Aside from oil and gas, the key driver of our forecast for Newfoundland and Labrador is the coming slowdown in capital investment. After half a decade of high and rising spending, a number of large projects in the province are nearing completion, including Hebron and the Muskrat Falls hydroelectric project, and there are few new projects coming down the pike. Peak investment activity on both projects has passed as Hebron heads for first oil at the end of 2017, and work is scheduled to wind down at Muskrat Falls through 2018. On the residential side, investment spending has declined steeply recently as a weak labour market saps demand for both new and existing housing.

More pain ahead in the labour market

We expect that job losses in both the public and private sectors will contribute to a 1.2% drop in overall employment and a rise in the provincial jobless rate to a six-year high of 13.3% in 2016. Unfortunately, labour market conditions are likely to deteriorate further in 2017, when we project employment to decline by 2.5% and the unemployment rate to rise to 15.0%. The slumping labour market has caused a contraction in employee compensation which is likely to put downward pressure on consumer spending in the period ahead.



Newfoundland forecast at a glance

% change unless otherwise indicated

	2013	2014	2015	2016F	2017F	2018F
Real GDP	5.2	-1.0	-2.0	0.0	-2.2	-0.5
Nominal GDP	7.6	-1.3	-11.5	-1.4	2.1	4.3
Employment	0.8	-1.7	-1.0	-1.2	-2.5	-3.0
Unemployment rate (%)	11.6	11.9	12.8	13.3	15.0	16.4
Retail sales	5.0	3.4	0.2	1.2	-0.5	-1.3
Housing starts (units)	2,862	2,119	1,697	1,600	1,200	1,200
Consumer price index	1.7	1.9	0.4	2.8	2.9	1.8

Gerard Walsh
Economist

Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Nominal GDP				Employment				Unemployment rate %				Housing starts Thousands				Retail sales				CPI			
	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F	15	16F	17F	18F
N.& L.	-2.0	0.0	-2.2	-0.5	-11.5	-1.4	2.1	4.3	-1.0	-1.2	-2.5	-3.0	12.8	13.3	15.0	16.4	1.7	1.6	1.2	1.2	0.2	1.2	-0.5	-1.3	0.4	2.8	2.9	1.8
P.E.I	1.3	1.1	1.0	1.0	3.9	2.4	2.6	2.7	-1.2	-2.3	0.2	0.5	10.5	10.9	10.8	10.5	0.6	0.6	0.8	0.7	2.3	5.4	2.2	2.4	-0.6	1.0	2.4	2.3
N.S.	1.0	1.2	1.1	1.2	2.4	2.6	3.0	3.2	0.1	-0.5	-0.2	0.3	8.6	8.4	8.2	8.2	3.8	3.6	3.3	3.0	-0.6	3.6	2.6	2.5	0.4	1.1	2.2	2.3
N.B.	2.3	0.0	0.5	0.8	2.9	1.3	2.2	2.6	-0.6	-0.2	0.4	0.2	9.8	9.6	10.0	9.5	2.0	1.8	1.8	1.9	2.4	2.9	2.0	2.2	0.5	2.3	2.5	2.1
QUE.	1.2	1.5	1.6	1.5	2.6	2.6	3.3	3.4	0.9	0.8	0.8	0.7	7.6	7.1	6.9	6.7	37.9	37.9	34.8	32.5	0.5	4.1	3.7	3.7	1.1	0.6	2.0	2.2
ONT.	2.5	2.5	2.3	1.9	4.9	3.5	3.9	3.6	0.7	1.1	1.0	0.9	6.8	6.6	6.2	6.0	70.2	75.4	72.5	62.5	4.2	4.4	3.9	3.8	1.2	1.8	2.5	2.1
MAN.	2.2	1.9	2.3	2.4	3.1	2.8	4.4	4.4	1.6	-0.4	1.0	0.8	5.6	6.1	5.8	5.6	5.5	5.4	7.1	6.8	1.5	4.8	4.2	4.1	1.2	1.4	2.5	2.2
SASK.	-1.3	-1.2	1.7	2.2	-5.7	-3.7	5.9	5.1	0.5	-0.9	0.3	0.9	5.0	6.3	6.5	6.0	5.1	4.8	4.9	7.8	-3.5	0.7	2.6	4.1	1.6	1.3	2.5	2.7
ALTA.	-3.6	-3.0	2.2	3.3	-12.5	-3.9	8.8	8.4	1.2	-1.6	0.2	1.1	6.0	8.1	8.2	7.3	37.3	25.2	24.0	26.3	-4.6	-2.1	1.7	4.2	1.2	1.0	1.7	1.9
B.C.	3.3	3.3	1.7	1.8	3.8	4.9	3.7	3.9	1.2	3.0	1.2	0.7	6.2	6.1	6.1	6.3	31.4	40.9	28.8	32.0	6.0	6.1	3.5	3.4	1.1	1.9	2.3	1.8
CANADA	**0.9**	**1.3**	**1.8**	**2.1**	**0.2**	**2.1**	**4.5**	**4.5**	**0.8**	**0.7**	**0.8**	**0.8**	**6.9**	**7.0**	**6.9**	**6.6**	**196**	**197**	**179**	**175**	**1.7**	**3.4**	**3.3**	**3.7**	**1.1**	**1.5**	**2.5**	**2.2**

Key provincial comparisons

2015 unless otherwise indicated

	N. & L.	P.E.I.	N.S.	N.B.	QUE	ONT	MAN	SASK	ALTA	B.C.
Population (000s, 2016)	530	149	950	757	8,326	13,983	1,318	1,151	4,253	4,752
Gross domestic product ($ billions)	30.1	6.2	40.2	33.1	381.0	763.3	65.9	79.4	326.4	250.0
Real GDP ($2007 billions)	27.3	5.2	36.2	28.9	337.9	665.0	59.4	62.9	310.6	231.3
Share of provincial GDP of Canadian GDP (%)	1.5	0.3	2.0	1.7	19.2	38.4	3.3	4.0	16.4	12.6
Real GDP growth (CAGR, 2010-15, %)	0.1	1.6	0.3	0.2	1.4	2.1	2.4	2.8	3.4	2.9
Real GDP per capita ($ 2007)	51,595	35,411	38,339	38,368	40,912	48,201	45,830	55,528	74,322	49,286
Real GDP growth rate per capita (CAGR, 2010-15, %)	-0.2	0.9	0.2	0.2	0.5	1.1	1.2	1.3	1.1	1.9
Personal disposable income per capita ($)	32,668	27,280	28,002	28,222	26,857	30,980	28,400	33,142	40,704	33,011
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 (Nov. 2016, %)	51.4	58.5	56.7	56.8	60.5	60.8	63.0	65.3	66.3	60.5
Discomfort index (inflation + unemp. rate, Oct. 2016)	18.9	13.6	9.0	12.8	7.4	8.5	7.5	7.7	9.0	8.3
Manufacturing industry output (% of GDP)	5.0	9.4	7.9	11.3	14.0	12.1	10.2	6.4	6.9	7.2
Personal expenditures on goods & services (% of GDP)	53.9	68.0	72.0	66.6	59.1	56.7	57.5	45.4	45.3	64.4
International exports (% of GDP)	34.1	20.9	18.4	48.4	28.4	35.8	25.7	39.3	32.3	22.1

Tables

British Columbia

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	194,987	200,324	206,360	211,427	216,716	223,852	231,299	238,932	242,946	247,319
	% change	**-2.4**	**2.7**	**3.0**	**2.5**	**2.5**	**3.3**	**3.3**	**3.3**	**1.7**	**1.8**
Nominal GDP	$ millions	196,250	205,117	216,786	221,414	228,973	240,900	249,981	262,160	271,895	282,325
	% change	**-4.0**	**4.5**	**5.7**	**2.1**	**3.4**	**5.2**	**3.8**	**4.9**	**3.7**	**3.8**
Employment	thousands	2,192	2,223	2,228	2,262	2,266	2,278	2,306	2,374	2,403	2,419
	% change	**-2.2**	**1.4**	**0.2**	**1.6**	**0.1**	**0.6**	**1.2**	**3.0**	**1.2**	**0.7**
Unemployment rate	%	7.7	7.6	7.5	6.8	6.6	6.1	6.2	6.1	6.1	6.3
Retail sales	$ millions	55,288	58,251	60,090	61,255	62,734	66,273	70,272	74,562	77,157	79,779
	% change	**-4.3**	**5.4**	**3.2**	**1.9**	**2.4**	**5.6**	**6.0**	**6.1**	**3.5**	**3.4**
Housing starts	units	16,077	26,479	26,400	27,465	27,054	28,356	31,446	40,900	28,800	32,000
	% change	**-53.2**	**64.7**	**-0.3**	**4.0**	**-1.5**	**4.8**	**10.9**	**30.1**	**-29.6**	**11.1**
Consumer price index	2002=100	112.3	113.8	116.5	117.8	117.7	118.9	120.2	122.5	125.3	127.5
	% change	**0.0**	**1.4**	**2.3**	**1.1**	**-0.1**	**1.0**	**1.1**	**1.9**	**2.3**	**1.8**

Alberta

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	250,510	262,720	279,655	290,544	306,998	322,237	310,640	301,321	307,799	317,957
	% change	**-5.5**	**4.9**	**6.4**	**3.9**	**5.7**	**5.0**	**-3.6**	**-3.0**	**2.2**	**3.3**
Nominal GDP	$ millions	245,690	270,049	299,521	312,485	342,415	372,880	326,433	313,838	341,424	370,113
	% change	**-17.0**	**9.9**	**10.9**	**4.3**	**9.6**	**8.9**	**-12.5**	**-3.9**	**8.8**	**8.4**
Employment	thousands	2,030	2,024	2,100	2,172	2,226	2,275	2,301	2,265	2,269	2,295
	% change	**-1.2**	**-0.3**	**3.7**	**3.5**	**2.5**	**2.2**	**1.2**	**-1.6**	**0.2**	**1.1**
Unemployment rate	%	6.5	6.6	5.4	4.6	4.6	4.7	6.0	8.1	8.2	7.3
Retail sales	$ millions	56,489	59,849	63,945	68,408	73,109	78,582	74,989	73,434	74,664	77,815
	% change	**-8.3**	**5.9**	**6.8**	**7.0**	**6.9**	**7.5**	**-4.6**	**-2.1**	**1.7**	**4.2**
Housing starts	units	20,298	27,088	25,704	33,396	36,011	40,590	37,282	25,200	24,000	26,300
	% change	**-30.4**	**33.5**	**-5.1**	**29.9**	**7.8**	**12.7**	**-8.1**	**-32.4**	**-4.8**	**9.6**
Consumer price index	2002=100	121.5	122.7	125.7	127.1	128.9	132.2	133.7	135.1	137.4	140.0
	% change	**-0.1**	**1.0**	**2.4**	**1.1**	**1.4**	**2.6**	**1.2**	**1.0**	**1.7**	**1.9**

Saskatchewan

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	52,195	54,647	57,545	58,514	62,191	63,680	62,872	62,118	63,142	64,557
	% change	**-5.3**	**4.7**	**5.3**	**1.7**	**6.3**	**2.4**	**-1.3**	**-1.2**	**1.7**	**2.2**
Nominal GDP	$ millions	60,080	63,368	74,821	77,957	83,159	84,201	79,415	76,493	81,021	85,188
	% change	**-11.1**	**5.5**	**18.1**	**4.2**	**6.7**	**1.3**	**-5.7**	**-3.7**	**5.9**	**5.1**
Employment	thousands	526	531	536	548	565	571	574	569	570	575
	% change	**1.6**	**1.0**	**0.9**	**2.4**	**3.1**	**1.0**	**0.5**	**-0.9**	**0.3**	**0.9**
Unemployment rate	%	4.9	5.3	4.9	4.7	4.1	3.8	5.0	6.3	6.5	6.0
Retail sales	$ millions	14,605	15,103	16,199	17,405	18,301	19,143	18,477	18,615	19,099	19,881
	% change	**-0.5**	**3.4**	**7.3**	**7.4**	**5.1**	**4.6**	**-3.5**	**0.7**	**2.6**	**4.1**
Housing starts	units	3,866	5,907	7,031	9,968	8,290	8,257	5,149	4,800	4,900	7,800
	% change	**-43.4**	**52.8**	**19.0**	**41.8**	**-16.8**	**-0.4**	**-37.6**	**-6.8**	**2.1**	**59.2**
Consumer price index	2002=100	117.1	118.7	122.0	123.9	125.7	128.7	130.8	132.4	135.7	139.3
	% change	**1.1**	**1.3**	**2.8**	**1.6**	**1.4**	**2.4**	**1.6**	**1.3**	**2.5**	**2.7**

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Manitoba

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	51,464	52,736	54,045	55,674	57,248	58,117	59,395	60,524	61,903	63,389
	% change	-0.2	2.5	2.5	3.0	2.8	1.5	2.2	1.9	2.3	2.4
Nominal GDP	$ millions	50,804	53,308	56,197	59,781	62,314	63,855	65,862	67,725	70,723	73,869
	% change	-2.6	4.9	5.4	6.4	4.2	2.5	3.1	2.8	4.4	4.4
Employment	thousands	601	609	612	622	626	626	636	633	640	645
	% change	-0.2	1.4	0.4	1.6	0.7	0.1	1.6	-0.4	1.0	0.8
Unemployment rate	%	5.2	5.4	5.5	5.3	5.4	5.4	5.6	6.1	5.8	5.6
Retail sales	$ millions	14,920	15,770	16,443	16,652	17,297	18,034	18,297	19,175	19,972	20,792
	% change	-0.4	5.7	4.3	1.3	3.9	4.3	1.5	4.8	4.2	4.1
Housing starts	units	4,174	5,888	6,083	7,242	7,465	6,220	5,501	5,400	7,100	6,800
	% change	-24.6	41.1	3.3	19.1	3.1	-16.7	-11.6	-1.8	31.5	-4.2
Consumer price index	2002=100	114.1	115.0	118.4	120.3	123.0	125.3	126.8	128.5	131.6	134.5
	% change	0.6	0.8	2.9	1.6	2.3	1.8	1.2	1.4	2.5	2.2

Ontario

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	582,904	600,131	614,606	622,717	631,871	648,890	665,034	681,926	697,610	711,144
	% change	-3.1	3.0	2.4	1.3	1.5	2.7	2.5	2.5	2.3	1.9
Nominal GDP	$ millions	597,882	630,989	659,743	680,084	695,349	727,962	763,276	789,897	820,993	850,646
	% change	-1.7	5.5	4.6	3.1	2.2	4.7	4.9	3.5	3.9	3.6
Employment	thousands	6,433	6,538	6,658	6,703	6,823	6,878	6,923	6,996	7,064	7,125
	% change	-2.7	1.6	1.8	0.7	1.8	0.8	0.7	1.1	1.0	0.9
Unemployment rate	%	9.1	8.7	7.9	7.9	7.6	7.3	6.8	6.6	6.2	6.0
Retail sales	$ millions	148,109	156,276	161,859	164,503	168,253	176,719	184,143	192,325	199,890	207,486
	% change	-2.4	5.5	3.6	1.6	2.3	5.0	4.2	4.4	3.9	3.8
Housing starts	units	50,370	60,433	67,821	76,742	61,085	59,134	70,156	75,400	72,500	62,500
	% change	-32.9	20.0	12.2	13.2	-20.4	-3.2	18.6	7.5	-3.8	-13.8
Consumer price index	2002=100	113.7	116.5	120.1	121.8	123.0	125.9	127.4	129.7	132.9	135.7
	% change	0.4	2.4	3.1	1.4	1.1	2.3	1.2	1.8	2.5	2.1

Quebec

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	309,359	315,708	321,647	324,993	329,433	333,830	337,911	342,980	348,296	353,520
	% change	-0.8	2.1	1.9	1.0	1.4	1.3	1.2	1.5	1.6	1.5
Nominal GDP	$ millions	314,541	328,138	344,735	354,040	364,531	371,311	380,972	390,790	403,594	417,021
	% change	0.1	4.3	5.1	2.7	3.0	1.9	2.6	2.6	3.3	3.3
Employment	thousands	3,854	3,938	3,976	4,006	4,061	4,060	4,097	4,130	4,164	4,192
	% change	-0.7	2.2	1.0	0.8	1.4	0.0	0.9	0.8	0.8	0.7
Unemployment rate	%	8.6	8.0	7.9	7.7	7.6	7.7	7.6	7.1	6.9	6.7
Retail sales	$ millions	93,759	99,590	102,556	103,753	106,301	108,137	108,727	113,226	117,387	121,786
	% change	-1.1	6.2	3.0	1.2	2.5	1.7	0.5	4.1	3.7	3.7
Housing starts	units	43,403	51,363	48,387	47,367	37,758	38,810	37,926	37,900	34,800	32,500
	% change	-9.4	18.3	-5.8	-2.1	-20.3	2.8	-2.3	-0.1	-8.2	-6.6
Consumer price index	2002=100	113.4	114.8	118.3	120.8	121.7	123.4	124.7	125.5	128.1	130.8
	% change	0.6	1.3	3.0	2.1	0.8	1.4	1.1	0.6	2.0	2.2

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New Brunswick

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	28,080	28,643	28,702	28,417	28,332	28,304	28,941	28,941	29,071	29,304
	% change	**-1.5**	**2.0**	**0.2**	**-1.0**	**-0.3**	**-0.1**	**2.3**	**0.0**	**0.5**	**0.8**
Nominal GDP	$ millions	28,857	30,213	31,500	31,723	31,809	32,112	33,052	33,480	34,203	35,062
	% change	**0.3**	**4.7**	**4.3**	**0.7**	**0.3**	**1.0**	**2.9**	**1.3**	**2.2**	**2.5**
Employment	thousands	360	358	356	353	355	354	352	351	353	353
	% change	**-0.2**	**-0.5**	**-0.7**	**-0.7**	**0.4**	**-0.2**	**-0.6**	**-0.2**	**0.4**	**0.2**
Unemployment rate	%	8.7	9.2	9.5	10.2	10.3	10.0	9.8	9.6	10.0	9.5
Retail sales	$ millions	10,094	10,595	11,103	11,028	11,107	11,528	11,808	12,154	12,400	12,678
	% change	**0.8**	**5.0**	**4.8**	**-0.7**	**0.7**	**3.8**	**2.4**	**2.9**	**2.0**	**2.2**
Housing starts	units	3,521	4,101	3,452	3,299	2,843	2,276	1,995	1,800	1,800	1,900
	% change	**-17.6**	**16.5**	**-15.8**	**-4.4**	**-13.8**	**-19.9**	**-12.3**	**-9.8**	**0.0**	**5.6**
Consumer price index	2002=100	113.5	115.9	120.0	122.0	123.0	124.8	125.4	128.3	131.5	134.2
	% change	**0.3**	**2.1**	**3.5**	**1.7**	**0.8**	**1.5**	**0.5**	**2.3**	**2.5**	**2.1**

Nova Scotia

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	34,721	35,693	35,884	35,567	35,524	35,812	36,168	36,602	36,986	37,430
	% change	**0.3**	**2.8**	**0.5**	**-0.9**	**-0.1**	**0.8**	**1.0**	**1.2**	**1.1**	**1.2**
Nominal GDP	$ millions	34,931	36,849	37,652	37,835	38,614	39,271	40,225	41,271	42,497	43,824
	% change	**-1.4**	**5.5**	**2.2**	**0.5**	**2.1**	**1.7**	**2.4**	**2.6**	**3.0**	**3.1**
Employment	thousands	450	451	453	458	453	448	448	446	445	446
	% change	**-0.5**	**0.4**	**0.4**	**1.0**	**-1.1**	**-1.1**	**0.1**	**-0.5**	**-0.2**	**0.3**
Unemployment rate	%	9.2	9.6	9.0	9.1	9.1	8.9	8.6	8.4	8.2	8.2
Retail sales	$ millions	12,105	12,651	13,098	13,223	13,605	13,915	13,827	14,323	14,697	15,066
	% change	**0.1**	**4.5**	**3.5**	**1.0**	**2.9**	**2.3**	**-0.6**	**3.6**	**2.6**	**2.5**
Housing starts	units	3,438	4,309	4,644	4,522	3,919	3,056	3,825	3,600	3,300	3,000
	% change	**-13.7**	**25.3**	**7.8**	**-2.6**	**-13.3**	**-22.0**	**25.2**	**-5.9**	**-8.3**	**-9.1**
Consumer price index	2002=100	115.7	118.2	122.7	125.1	126.6	128.8	129.3	130.8	133.7	136.8
	% change	**-0.1**	**2.2**	**3.8**	**1.9**	**1.2**	**1.7**	**0.4**	**1.1**	**2.2**	**2.3**

Prince Edward Island

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	4,695	4,800	4,895	4,952	5,050	5,128	5,196	5,253	5,306	5,359
	% change	**0.3**	**2.2**	**2.0**	**1.2**	**2.0**	**1.5**	**1.3**	**1.1**	**1.0**	**1.0**
Nominal GDP	$ millions	4,927	5,222	5,424	5,573	5,752	5,955	6,186	6,332	6,497	6,674
	% change	**3.6**	**6.0**	**3.9**	**2.7**	**3.2**	**3.5**	**3.9**	**2.4**	**2.6**	**2.7**
Employment	thousands	68	70	72	73	74	74	73	71	72	72
	% change	**-1.3**	**2.3**	**3.1**	**1.7**	**1.4**	**-0.1**	**-1.2**	**-2.3**	**0.2**	**0.5**
Unemployment rate	%	11.9	11.4	11.1	11.1	11.5	10.6	10.5	10.9	10.8	10.5
Retail sales	$ millions	1,682	1,770	1,866	1,925	1,940	2,005	2,052	2,162	2,211	2,263
	% change	**-1.3**	**5.3**	**5.4**	**3.2**	**0.8**	**3.3**	**2.3**	**5.4**	**2.2**	**2.4**
Housing starts	units	877	756	940	941	636	511	558	610	780	700
	% change	**23.2**	**-13.8**	**24.3**	**0.1**	**-32.4**	**-19.7**	**9.2**	**9.3**	**27.9**	**-10.3**
Consumer price index	2002=100	117.3	119.5	123.0	125.5	128.0	130.1	129.3	130.7	133.8	136.9
	% change	**-0.1**	**1.8**	**2.9**	**2.0**	**2.0**	**1.6**	**-0.6**	**1.0**	**2.4**	**2.3**

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Newfoundland & Labrador

		2009	2010	2011	2012	2013	2014	2015	2016F	2017F	2018F
Real GDP	Chained $2007 millions	25,740	27,164	27,946	26,719	28,106	27,838	27,277	27,277	26,691	26,557
	% change	**-10.1**	**5.5**	**2.9**	**-4.4**	**5.2**	**-1.0**	**-2.0**	**0.0**	**-2.2**	**-0.5**
Nominal GDP	$ millions	25,001	29,085	33,539	32,032	34,462	34,022	30,100	29,665	30,276	31,570
	% change	**-20.8**	**16.3**	**15.3**	**-4.5**	**7.6**	**-1.3**	**-11.5**	**-1.4**	**2.1**	**4.3**
Employment	thousands	215	223	232	241	243	239	236	233	228	221
	% change	**-2.7**	**3.6**	**4.1**	**3.8**	**0.8**	**-1.7**	**-1.0**	**-1.2**	**-2.5**	**-3.0**
Unemployment rate	%	15.5	14.7	12.6	12.3	11.6	11.9	12.8	13.3	15.0	16.4
Retail sales	$ millions	7,121	7,453	7,833	8,182	8,589	8,882	8,900	9,007	8,960	8,844
	% change	**1.6**	**4.7**	**5.1**	**4.5**	**5.0**	**3.4**	**0.2**	**1.2**	**-0.5**	**-1.3**
Housing starts	units	3,057	3,606	3,488	3,885	2,862	2,119	1,697	1,600	1,200	1,200
	% change	**-6.3**	**18.0**	**-3.3**	**11.4**	**-26.3**	**-26.0**	**-19.9**	**-5.7**	**-25.0**	**0.0**
Consumer price index	2002=100	114.6	117.4	121.4	123.9	126.0	128.4	129.0	132.5	136.3	138.7
	% change	**0.3**	**2.4**	**3.4**	**2.1**	**1.7**	**1.9**	**0.4**	**2.8**	**2.9**	**1.8**