



RBC ECONOMIC OUTLOOK – PROVINCIAL FACT SHEET

Highlights from across Canada

June 12, 2017

British Columbia: Keeping the lead after all

The majority of economic indicators in British Columbia continue to paint the picture of a vibrant economy with few signs of a slowdown. The labour market and employment growth are strong, and population growth is at a 7-year high due to a wave of migrants. However, the softwood lumber trade conflict with the US and unclear economic implications of the provincial election are restraining factors. RBC expects growth will moderate from the supercharged rate of 3.6 per cent in 2016, to 3.0 per cent in 2017. RBC no longer expects the housing sector to weigh on economic growth this year as much as previously thought.

“Home resale activity in the Vancouver area has picked up this spring and prices have begun to firm up again,” said Craig Wright, senior vice-president and chief economist, RBC. “Still, we see clouds forming over the British Columbia housing market next year when we anticipate interest rates to rise in Canada.”

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

Alberta: Let the recovery begin!

Alberta is on the path of recovery, with signs of a turnaround accumulating in many corners of the economy. This recovery is largely attributed to the energy sector, as drilling activity roughly doubled from last year’s historical lows. Unemployment has decreased, and home resales in the Calgary and Edmonton housing markets are well ahead of previous levels. RBC forecasts 2.9 per cent provincial growth in 2017, and anticipates the recovery to continue in 2018 with a growth rate of 3.4 per cent, though it will be gradual and uneven.

“We see clear, broad-based evidence that an economic upturn has taken root in Alberta, with the positive signs resting on an improved outlook for oil prices” said Craig Wright, senior vice-president and chief economist, RBC. “However, recent election results in British Columbia may pose increased risks for Alberta’s energy sector if they interrupt plans to build Kinder Morgan’s Trans Mountain pipeline.”

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

Saskatchewan: Higher oil prices brighten Saskatchewan's outlook

RBC expects the Saskatchewan economy to start growing again this year after two years of contraction. Activity is projected to rise by 1.8 per cent in 2017, as oil and gas production rebounds and oil prices continue to recover gradually from their earlier slump. Additionally, agriculture activity will continue to grow, while a modest positive growth in the mining sector will reduce the pace of decline in construction spending this year.

"The drop in economic activity in Saskatchewan last year was more modest than we anticipated. We think that the rebound in oil and gas production is on track, and our expectation for the provincial economy is for declining sectors to start seeing positive growth," said Craig Wright, senior vice-president and chief economist, RBC.

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

Manitoba: Enough positive factors to keep the expansion going

Growing U.S. demand and a competitively-valued Canadian dollar are expected to boost Manitoba's manufacturing and agriculture sectors and contribute to growth. Gains in these areas, including the labour market, should offset a larger-than-expected decline in mining outputs. RBC anticipates Manitoba's economy to grow by 1.9 per cent in 2017, a slight slowing from the estimated growth rate of 2.3 per cent the previous year.

"Manitoba's positive economic landscape has been encouraging, with employment rising in the first quarter after declining modestly in 2016, and we expect these recent improvements throughout the province to continue." said Craig Wright, senior vice-president and chief economist, RBC.

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

Ontario: Housing setting the tone

Ontario's economy posted the second-strongest growth rate among the provinces last year, and 2017 is shaping up to be another solid year. Household spending continues to rise and unemployment dropped below the 6.0 per cent mark for the first time since 2001. RBC anticipates recent measures introduced by the provincial government will help cool the housing sector, which had gone onto a potentially destabilizing path. RBC projects growth to slow to 2.7 per cent in 2017, and further deceleration of 2.0 per cent in 2018.

"Skyrocketing house prices raised serious concerns about the future stability of Ontario's housing market," said Craig Wright, senior vice-president and chief economist, RBC. "We expect that the provincial government's Fair Housing Plan will help cool the housing market during the remainder of this year, exerting a slight restraining effect on economic growth in 2017."

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

Quebec: Better times are back

The pace of Quebec's expansion is the strongest in five years with a projected steady growth rate of 1.9 per cent. Strong employment gains and a multi-decade low unemployment rate have boosted consumer confidence, which benefited household spending and the housing sector. RBC expects governments' capital investment sprees, combined with a competitively-valued Canadian dollar and external demand opportunities from the U.S., will give Quebec's economy enough fuel to match last year's growth rate.

"It's no surprise that Quebec's economy has experienced a lift just as job creation took off and unemployment rate plummeted," said Craig Wright, senior vice-president and chief economist, RBC. "With the province's solid momentum over the first quarter and the positive prospects for exporters later this year, we see little to stop Quebec's good vibrations in 2017."

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

New Brunswick: Economic growth to remain modest and steady

Encouraging data elevates the forecast for New Brunswick's economy as higher government capital spending and a strong performance from the natural resources sector is expected to boost jobs and sustain another year of above average growth. RBC projects New Brunswick's economy to grow by 1.1 per cent in 2017, which is slightly slower than last year's 1.3 per cent rate. However, weak underlying demographic factors and the province's high exposure to rising protectionist sentiments from the U.S. leaves a measure of uncertainty for export-oriented industries.

"The lumber industry has been spared the brunt of the countervailing duties imposed by the U.S., allowing New Brunswick's natural resource sector to sustain another year of steady progression," said Craig Wright, senior-vice president and chief economist, RBC. "We expect that growth will continue if New Brunswick takes advantage of the strong U.S. housing activity, while the leading mining and fishery sectors should help reverse the job losses those industries have sustained so far in 2017."

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

Nova Scotia: Economic growth steadily ebbing away

Preliminary data revealed that Nova Scotia is in its third straight year of steady economic growth, yet it's expected to slow from 0.8 per cent to 0.6 per cent in 2018 due to lackluster demographic factors and the completion of major projects. The recently re-elected government is committed to targeted spending increases and balanced budgets and recent data suggests that government hiring will help reverse last year's employment losses. However, job gains will be tempered by ongoing demographic challenges as last year's surge in immigration shows signs of ebbing away.

“While last year’s surge in migration raised the province’s employment rate and slowed the decline in the working-age population, we see little scope for Nova Scotia to reverse the slowing growth trajectory of the economy,” said Craig Wright, senior-vice president and chief economist, RBC.

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

Prince Edward Island: Riding the immigration wave

Prince Edward Island’s solid economic performance stands out in Atlantic Canada, and RBC expects it to expand further by 1.5 per cent in 2017. Immigration has generated most of the growth, driving demand for homes and consumer goods. The provincial government projects a balanced budget, which will increase spending measures in health care, education and infrastructure. However, as the immigration wave crests and business investment slows during the remainder of the year, RBC anticipates the pace of growth to ease to 1.2 per cent.

“A near record 2,300 immigrants came to PEI last year, resulting in population growth increasing at a rate unseen since the 1970’s,” said Craig Wright, senior-vice president and chief economist, RBC. “This striking turnaround has especially benefitted home builders and retailers as sales of motor vehicle dealers have been on a record streak for the past four years.”

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

Newfoundland and Labrador: No respite this year... or next

Rising oil production elevated Newfoundland and Labrador’s economy by 1.9 per cent, yet the outcome of a deep economic contraction in most sectors will likely lead to two more years of recession. As major projects wrap up and investment spending plunges in an economy beset by fiscal austerity, RBC predicts that the economy will contract by 2.2 per cent in 2017. On a positive note, the Hebron oil platform will provide an upswing in oil production in 2018 and will limit overall economic contraction to -0.4 per cent.

“Investment in Newfoundland and Labrador’s oil and gas sector will drop significantly this year now that Hebron construction is wrapped up,” said Craig Wright, senior-vice president and chief economist, RBC. “Long-term growth potential for the industry is predicted as new projects launch, but until then the province remains on track for its fourth straight year of job losses.”

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

For more information, please contact:

[Craig Wright](#), Senior Vice-President and Chief Economist, RBC Economics Research, 416-974-7457

[Paul Ferley](#), Assistant Chief Economist, RBC Economics Research, 416-974-7231

[Robert Hogue](#), Senior Economist, RBC Economics Research, 416-974-6192

[Gerard Walsh](#), Economist, RBC Economics Research, 416-974-6525

[Andrew Swartz](#), RBC Communications, 416-955-7395