



BRITISH COLUMBIA'S ECONOMIC GROWTH TO STAY THE COURSE: RBC ECONOMICS

TORONTO, December 13, 2012 — British Columbia is expected to successfully overcome the recent drag generated by its cooling housing market and the public sector's fiscal restraint in light of weaker than earlier anticipated revenues from natural gas royalties, according to the latest [RBC Economics Provincial Outlook](#) released today. RBC projects the province's real GDP to grow by 2.3 per cent in 2013, only slightly faster than the 2.1 per cent forecasted for 2012, and close to the national average of 2.4 per cent.

The report notes that the correction in Vancouver home resales is expected to cast a large shadow on residential investment in the province, with lower levels of resales causing new home construction to decline in 2013 which will be further abetted by the recent slowing in B.C.'s population growth. RBC forecasts that housing starts will moderate to 23,800 units in 2013 from 27,700 units in 2012, and that this downturn will also restrain activity in several segments of the retail trade sector.

"While the recent slowing in B.C.'s red hot housing market and the tightening of the public administration's purse strings will weigh on the provincial economy in 2013, we expect that the turnaround in the U.S. housing industry will help offset the drag," said Craig Wright, senior vice-president and chief economist, RBC. "We expect U.S. housing starts to continue climbing out of their deep hole in 2013 and 2014, which bodes well for further gains in what was traditionally the province's top export commodity. This will more than make up for any possible weakening in other markets, such as China."

Stronger housing starts south of the border have already helped B.C. softwood lumber exports to the United States surge by more than 15 per cent in volume terms in the first three quarters of 2012.

RBC also expects that non-residential investment will be a powerful contributor to B.C. economic growth in the coming year and beyond, due to the construction of several major projects in the commodities and transportation sectors.

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“Investment in these and future projects will form the backbone for development of British Columbia’s remote regions for years to come,” noted Wright. “Overall, our initial take on the provincial economic outlook in 2014 keeps the course barely altered, as we project a growth rate of 2.6 per cent.”

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online as of 8 a.m. ET today at rbc.com/economics/market/pdf/provcst.pdf.

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