



QUEBEC'S ECONOMIC MOMENTUM SLOWS SLIGHTLY BUT PROVINCE REMAINS POISED FOR STRONGEST GROWTH SINCE 2004: RBC ECONOMICS

TORONTO, December 15, 2010 — Quebec's economic recovery has entered a cooling stage against the backdrop of softening in a number of sectors, with the province's real GDP growth projected to edge slightly lower to 2.6 per cent in 2011 from 2.7 per cent in 2010, according to the latest RBC Economics Provincial Outlook report. While both the 2010 and 2011 growth rates have been downwardly revised from the previous Outlook, they will nonetheless be Quebec's strongest since 2004.

"Even though Quebec's economic recovery may lack the vigour recorded in its initial stages, we expect it to be sustained in the year ahead," said Craig Wright, senior vice-president and chief economist, RBC. "Growth in the province will continue to be supported by low, albeit rising, interest rates as well as gains in employment and gradually strengthening demand from the U.S. and the rest of Canada."

In particular, Quebec's outlook for residential and non-residential construction is now showing some weakness, which will quiet down a key engine of growth in the province since the recovery began. The weakening in new home construction activity echoes the cooling in Quebec's housing market through the spring and summer, after setting sales records this past winter. Softening conditions also affected several other sectors in the third quarter including manufacturing and wholesale and retail trade.

"The slowing in Quebec's economic activity since the spring of this year is proving to be a little more pronounced than we previously anticipated and the prospects for next year have dimmed somewhat. It is as though the province's young recovery is already getting a little tired," noted Wright.

Quebec's government is shifting its focus to balancing its budget by 2013-14, after running substantial deficits since 2009 to help stimulate the economy, now that the recovery is on solid ground. As a result, 2011 will see a transition from a fiscal policy that is stimulative to the economy to one that is somewhat restrictive with restrained program spending, capital expenditure cuts and tax increases. RBC notes this will act as a drag on growth in 2011 and beyond, although to a much lesser extent than the drag that slowed growth to a crawl in the mid 1990s after years of runaway deficits.

RBC notes that Quebec's job market is projected to expand by 1.9 per cent in 2011, down marginally from 2.0 per cent in 2010, with the creation of more than 70,000 net new jobs in the province, thereby increasing in the number of consumers with money to spend.

Looking ahead to 2012, RBC Economics forecasts that Quebec's pace of growth will slightly accelerate to 2.7 per cent amid improvements in both the Canadian and U.S. markets.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

The full report and provincial details are available online as of 8 a.m. ET today www.rbc.com/economics/market/pdf/provfcst.pdf.

For more information, please contact:

Craig Wright, RBC Economics Research, (416) 974-7457

Robert Hogue, RBC Economics Research, (416) 974-6192

Elyse Lalonde, RBC Media Relations, (416) 974-8810