



## ONTARIO'S ECONOMIC GROWTH TO CLOCK IN SLIGHTLY HIGHER THAN NATIONAL AVERAGE: RBC ECONOMICS

**TORONTO, September 10, 2012** – Brisk activity in Ontario's housing sector and further recovery in provincial exports will drive economic growth in 2012, according to the latest [RBC Economics Provincial Outlook](#). RBC forecasts that the provincial economy will grow at a slightly faster rate of 2.2 per cent this year compared to 1.9 per cent in 2011 – well short of the 3.4 per cent 10-year average preceding the recession, but slightly stronger than the projected national real GDP growth of 2.1 per cent.

“While the private sector is showing signs of strengthening, more restrained public sector spending continues to somewhat inhibit growth, keeping the overall pace moderate in Ontario,” said Craig Wright, senior vice-president and chief economist, RBC. “Still, at a time when we expect the pace of national growth to slow this year relative to last year, the projected slight acceleration of provincial economic activity is encouraging.”

RBC notes that a reduction in government spending on goods and services and a decline in capital investment for the fifth consecutive quarter in early 2012, are evidence of reduced public stimulus. This austerity can also be inferred from a notable drop in public sector employment from last year. While such actions are necessary to improve the fiscal position of governments, they will generate substantial headwinds for the Ontario economy.

Continuing to defy expectations of cooling, the hot housing market has been a key factor fuelling Ontario's economy this year. Sales of existing homes in the second quarter were the second best on record for that period, while housing starts during the first seven months of the year were the strongest since 2006. Overall, residential investment should substantially contribute to growth in 2012, though RBC expects to see some moderation going forward.

A particularly encouraging trend for Ontario's economy has been the further recovery in manufacturing. Although the recovery in manufacturing has not been uniform across the sector, there have been substantial gains achieved in the auto industry, the heart of manufacturing in Ontario.

“Ontario's auto industry rode the wave of strengthening motor vehicle sales in the U.S. and Canadian markets with assembly of light vehicles surging by more than 19 per cent during the first seven months of this year. In fact, new motor vehicle production is now almost at pre-recession levels,” said Wright. “However, performance was considerably weaker in the computer and electronic industry, with shipments dropping to their lowest levels in almost 20 years.”

- 2 -

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 7 a.m. ET today at [rbc.com/economics/market/pdf/provfcst.pdf](http://rbc.com/economics/market/pdf/provfcst.pdf).

- 30 -

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