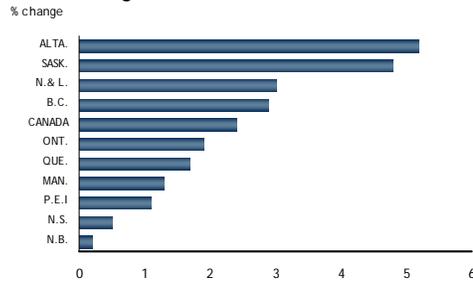


PROVINCIAL OUTLOOK

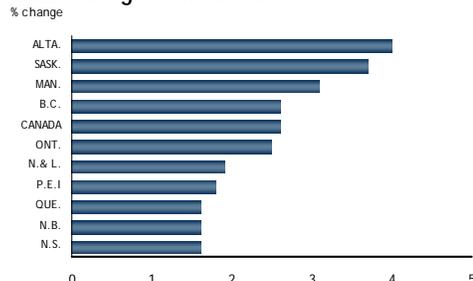
June 2012

Real GDP growth 2011



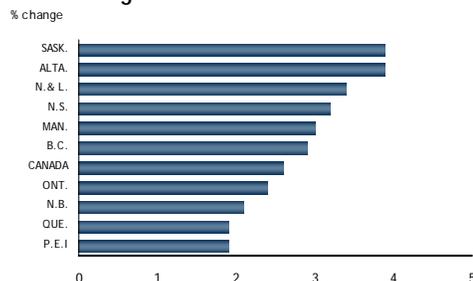
Source: Statistics Canada, RBC Economics Research

Real GDP growth 2012



Source: Statistics Canada, RBC Economics Research

Real GDP growth 2013



Source: Statistics Canada, RBC Economics Research

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Go west...for the strongest growth in Canada

- We made a few adjustments to our provincial forecasts, but none altered the thrust of our outlook story: Western Canada will dominate growth in this country this year and next. All provinces east of Manitoba will show weaker performance than the national average.
- The east-west divide largely reflects the extent to which provincial economies stand to benefit from the commodities-related boom: the west is gaining most while the rest (generally) gain less.
- The strengthening of the US economy will help the outlook for Ontario more particularly.

Twists and turns in the global economy

The global environment in which provincial economies operate continues to generate plenty of twists and turns. What we saw as an encouraging development emerging from Europe in the previous edition of our *Provincial Outlook*, the stabilization of European financial markets earlier this year, has been replaced by renewed angst and uncertainty more recently. To be sure, the European situation is still loaded with potentially destabilizing events, but we continue to believe that the financial market pressures will be contained. The incoming statistics show that China is still gearing down; however, RBC expects modest reacceleration starting in the second half of this year. South of the Canadian border, the start to 2012 for the US economy was a little softer than we anticipated, but we believe that the negative factors that dampened growth will reverse and produce faster growth going forward. In fact, this strengthening of the US economy will be a key driver of provincial growth in both 2012 and 2013, particularly for a province such as Ontario, which depends heavily on the US market. All in all, barring any calamitous developments in Europe or elsewhere, we continue to expect an external context that will be broadly supportive of modest provincial growth.

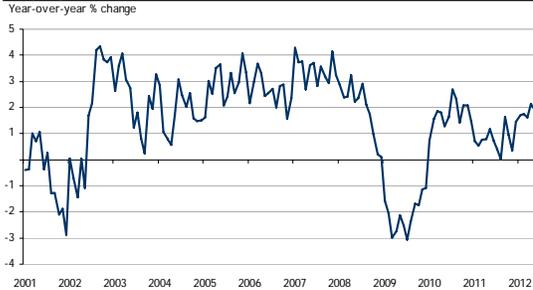
Commodities boom alive in Canada

While global uncertainty has gone up a few notches recently and has somewhat dampened enthusiasm for commodities in recent weeks, we maintain our view that sustained global growth will support demand for, and thus the prices of, commodities at levels that will keep the commodities boom alive in Canada. Strong production of natural resource products and related capital investment will be a key differentiating factor of provincial performance, as has been the case in the past two years. Given their heavy exposure to the natural resource sector, western provinces, thus, will continue to ride at the head of the provincial pack. Newfoundland and Labrador likely would have joined them again this year were it not for temporary shutdowns at key offshore oil production operations. All provinces east of Manitoba—generally less dependent on natural resources—will show lower rates of growth than the national average.

Alberta keeping the lead

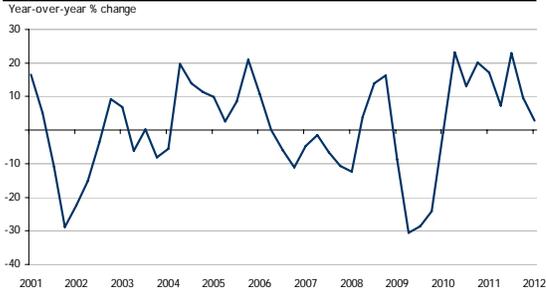
We made a few adjustments to provincial real GDP forecasts in this update. In light of Statistics Canada's first estimate of real GDP by province for 2011, we show revised estimates for that year. Most notably, we boosted our 2011 forecasts for Alberta, Saskatchewan and British Columbia, and lowered them for Newfoundland and Labrador, Manitoba, Nova Scotia and Prince Edward Island. Revisions to other provinces were generally small. As for our 2012 and 2013 forecasts, we downgraded Saskatchewan, Manitoba and Newfoundland and Labrador slightly, and upgraded Alberta. These changes reflect our monitoring of performance to date and the implications for the growth trajectory this year and next. Following these revisions, we now project Alberta to lead growth in Canada for the second consecutive year in 2012, just slightly ahead of Saskatchewan.

Employment: British Columbia



Source: Statistics Canada, RBC Economics Research

Exports: British Columbia



Source: Statistics Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	3.0	2.9	2.6	2.9
Employment	1.7	0.8	1.5	1.4
Unemployment rate (%)	7.6	7.5	7.0	6.8
Retail sales	5.4	3.1	4.1	4.4
Housing starts (units)	26,479	26,400	25,200	23,500
Consumer price index	1.4	2.3	1.3	1.3

Robert Hogue
Senior Economist

Maintaining course

British Columbia is set to match the national economy’s growth rate in 2012, after outperforming it slightly last year. We expect real GDP to grow by 2.6% this year in the province, thereby maintaining most of the pace in the last two years (3.0% and 2.9%, respectively) although not quite all. The small moderation will reflect greater headwinds in export markets. The BC economy will see the onset of work on two new major projects this year, but the effect of such investments will be felt more strongly in 2013. We expect these projects to be among the factors helping to re-accelerate real GDP growth modestly to 2.9% next year.

Natural gas extraction, utilities, and forestry propelled activity last year

Statistics Canada’s first estimate of real GDP for 2011 revealed particular strength in a number of British Columbia’s industries last year, including natural gas extraction, logging and forestry, utilities, and construction (primarily on the non-residential side). There was also evidence that the province status as a major transportation hub further solidified. Overall, the performance was quite solid with real GDP growing by 2.9%—or half of a percentage point better than we anticipated—and the vast majority of industrial sectors showing an advance.

Most indicators were positive early this year

Indicators of economic performance early this year were mostly positive. The BC job market showed further improvement: employment was up 1.8% year over year in the first five months, and the unemployment rate fell to a three-year low of 6.2% in April before rebound to 7.4% in May. Retail sales rose at their strongest annual rate (5.4%) in two years in the first quarter of 2012. Housing starts, while quite volatile from month to month, sustained levels that were, on average, well ahead of the same period last year. The manufacturing sector achieved only minimal gains overall, but there were volume increases in lumber and market pulp production. The mining sector continued to be a mixed bag, however, with a surge in coal production and strong momentum in natural gas contrasting with further drops in metals such as copper, iron ore, gold, and silver.

Slower export gains

The strong increases in BC merchandise exports in the past two years have slowed considerably more recently. Much of this deceleration reflects drops in exports to the United States (concentrated in natural gas), Japan, and the European Union. We note, however, that there has been some moderation in export gains in China following three years of breakneck expansion. Wood product sales to China rose by just 3.5% in the first quarter of the year, thereby representing quite a rupture from the average 76% annual surge in the past five years. On the upside, the highlight so far this year has been a 230% jump in coal exports to China.

Major capital projects boosting 2013 prospects and beyond

Going forward, two major projects will bolster economic prospects in British Columbia. The federal government’s \$8 billion order for seven non-combat ships awarded to North Vancouver-based Seaspan Marine will stimulate shipbuilding activity significantly in the province in the next eight years. The other project will be the \$3.3 billion modernization of Rio Tinto Alcan’s aluminum smelter in Kitimat that will boost capacity by 40% by 2014. While there will be some benefits felt this year from both projects, we expect many more starting in 2013.



Off to an impressive start

The Alberta economy is off to a very strong start to 2012. It is leading all other provinces on the majority of performance indicators so far this year and by a wide margin in several instances. Such vigour confirms that the impressive pick-up in economic activity last year—when real GDP growth exceeded 5% for the first time since 2006—was no fluke. With mega capital spending in its energy sector continuing to be a catalyst for activity across industrial sectors, we expect Alberta to lead all other provinces in real GDP growth this year with a rate of 4.0% and rank as tied for the top spot next year with a rate of 3.9%.

2011 even stronger than we anticipated

Statistics Canada’s first estimate of 2011 real GDP growth for Alberta released in April showed even greater strength than our above-consensus call of 4.2%. Growth in the industry GDP add-up came to 5.2% last year, thereby representing the fastest pace since 2006. As expected, activity ramped up significantly in the construction sector and the parts of manufacturing that feed into capital investment (e.g., machinery). What was perhaps even more impressive—and positive for the period ahead—was the fact that growth was broadly based across industrial sectors. Industries as varied as oil and gas extraction, utilities, wholesale and retail trade, transportation, business and personal services, and even public administration shared in the good times. Such broad-based gains last year corroborate our view that the benefits of strong capital investment in the province are spreading throughout the economy.

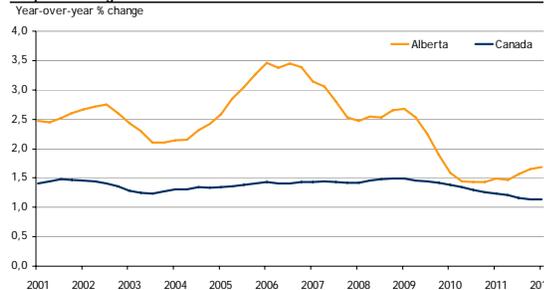
Solid momentum maintained so far this year

Higher-frequency indicators continue to show solid momentum virtually across the board in Alberta’s economy in the early months of 2012. Although there have been some disruptions at oil sands operations recently, crude oil production was up noticeably from a year ago in the first two months of this year. This increase helped to offset further declines in natural gas and was a key driver of double-digit export gains. Higher sales abroad by chemical and petroleum product manufacturers, as well as by machinery and equipment fabricators, also contributed to stronger provincial exports so far this year. Domestically, job creation in Alberta has slowed in recent months from its furious pace last year—when Alberta recorded 99,000 net new jobs—but the provincial job market remains particularly vibrant. Alberta still leads the country with employment growth of 3.6% year over year and the lowest jobless rate (4.5%) among the provinces as of May. Bright job prospects are attracting workers from outside the province in increasing numbers, and this has boosted population growth, which now at 2.0%, is the fastest among the provinces. Positive income and demographic conditions have supported nation-leading growth in retail sales and housing starts so far in 2012.

More happy results to come

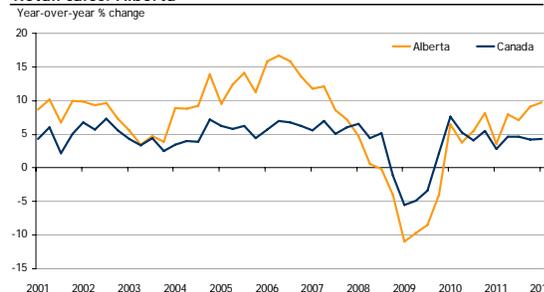
We believe that the solid momentum in the Alberta economy to date will be maintained during the remainder of this year. Massive investment in the energy sector—slated to reach new heights in 2012—will continue to prime activity throughout the provincial economy. Add in another banner year for Alberta’s oil production (notwithstanding temporary disruptions in the spring) and a turnaround in the housing sector, and then we have the elements for strong economic growth. Alberta is booming again.

Population growth: Alberta



Source: Statistics Canada, RBC Economics Research

Retail sales: Alberta



Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	3.3	5.2	4.0	3.9
Employment	-0.4	3.8	2.8	2.6
Unemployment rate (%)	6.5	5.5	4.9	4.4
Retail sales	6.0	6.9	7.9	6.8
Housing starts (units)	27,088	25,704	32,300	32,500
Consumer price index	1.0	2.4	1.5	1.8

Robert Hogue
Senior Economist

Still among the growth leaders

The recently released 2011 real GDP numbers on an industry basis confirmed that Saskatchewan remains a growth leader among the provinces and is consistent with growth last year of 4.8%. In fact, this represents slightly stronger growth relative to the 4.3% that we had projected in March. This strength is generally consistent with strong demand for a number of key natural resources produced in the province and attendant investment activity to expand production capacity. As a result, strength in 2011 was led by solid increases in agriculture, mining, and construction.

Agricultural output to continue to grow although at a more moderate pace

The 8.7% jump in agricultural output in 2011 reflected not only strong global demand for various agricultural products but also a return to normal growing conditions. Weather-related problems in 2010 resulted in output in this sector dropping 18%. Our outlook for the province assumes that normal weather conditions will persist during the forecast period. This, along with continued strong global demand, will keep output in the agricultural sector rising this year and next although by moderate rates of 6% and 3%, respectively.

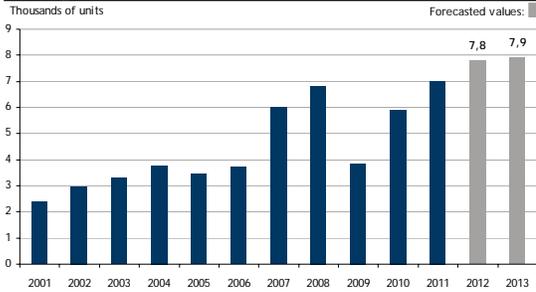
Outlook for mining production revised lower...

Output in the mining sector has been helped both in 2010 and 2011 by strong growth in potash production. Early in 2012, however, the re-emergence of pressures in financial markets related to the sovereign European debt imbalances once again raised some concern about the sustainability of global growth. This in turn contributed to a drop in demand and thus production of potash. Our forecast assumes that these external pressures will be sufficiently addressed by policy-makers that the global recovery will be sustained. This in turn is expected to contribute to a recovery in demand for potash going forward. Because of the weakness in first-quarter 2012 production, we lowered our estimate for growth in the mining sector this year to a little over 4%, which represents a modest slowing from the 5% increase in 2011 and the almost 20% surge in 2010 as demand recovered from the 2009 global recession. Our forecast assumes that, as the global recovery strengthens modestly next year, mining output growth in the province will strengthen as well, rising by 6.5%. Growth in both years, however, represents a downward revision from our forecast in March.

...along with capital spending

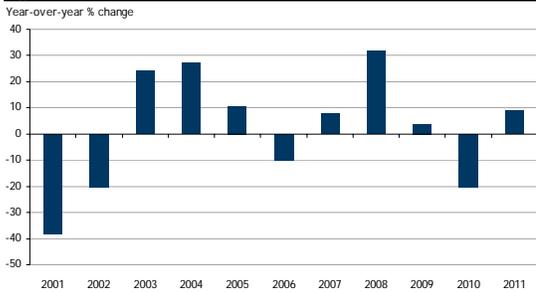
This continued strong demand for key natural resources in the province is expected to keep construction activity robust in the province. With some of the recent weakening in demand for potash, however, we opted to scale back the level of capital expenditure in mining. Instead of the pace of growth strengthening during the forecast, our forecast now assumes growth closer to the 6.4% recorded in 2011. Downward revisions to production and capital spending in the mining sector have contributed to more, moderate, overall, real GDP growth in Saskatchewan of 3.7% and 3.9% for 2012 and 2013, respectively. These estimates represent a downward revision from increases of 4.6% and 4.7% for this year and next, respectively, which we projected in March.

Housing starts: Saskatchewan



Source: Canada Mortgage and Housing Corporation, RBC Economics

Agriculture real GDP: Saskatchewan



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	4.0	4.8	3.7	3.9
Employment	0.9	0.3	1.8	1.9
Unemployment rate (%)	5.2	5.0	4.8	4.6
Retail sales	3.4	7.5	5.5	6.6
Housing starts (units)	5,907	7,031	7,800	7,900
Consumer price index	1.3	2.8	1.9	2.6

Paul Ferley
Assistant Chief Economist



Growth to rebound from a disappointing 2011

The preliminary 2011 real GDP industry output numbers for Manitoba were indicative of the growth rate last year being nearly halved relative to 2010's 2.4% rather than being maintained close to this rate as we had forecasted in March. A key downward surprise was flat manufacturing output rather than a modest increase that we had expected based on indications of rising manufacturing sales in the province. As well, although we had assumed weakness in construction, we thought that this would be reflected more in flat activity rather than the 4.0% decline recorded in the preliminary numbers.

Economy will pick up its pace

Despite the weaker growth in 2011, we still believe that overall economic activity will bounce back in 2012 by rising 3.1% although this represents a slight downward revision from the 3.4% that we projected last quarter. The 2012 pace of growth is generally expected to be maintained in 2013 with overall GDP rising an unrevised 3.0%. Indications of some recovery in employment growth early in 2012 bode well for a strengthening in overall output during the forecast.

Improved growing conditions bode well for agriculture production

A key factor lying behind our projected rebound in growth in 2012 is an expected return to normal growing conditions that is projected to send growth in agricultural production up by a little less than 20% for the year. This strong increase follows double-digit declines in the past two years when activity was hampered by adverse growing conditions. There had been some concern about too dry soil conditions in the early spring although a wet May has allayed those concerns. This rebound is consistent with indications that intended seeding areas for 2012 are up 39% for wheat and 19% for canola relative to actual 2011 seeded areas.

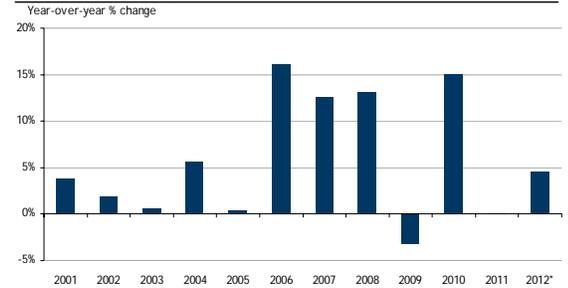
Manufacturing to benefit from a projected strengthening US economy

Despite the disappointing flat manufacturing output recorded in 2011, our expectation of strengthening US growth this year and next is expected to contribute to a return to positive growth in the sector during the forecast with activity expected to rise 3.0% this year and 4.0% in 2013. Specifically, rising business investment in the United States is expected to provide greater support to both the aerospace and machinery exports from the province. Construction spending in Manitoba is also expected to recover in 2012 by rising 2.0%, which would mirror a rebound in construction spending as flagged by the recent Statistics Canada capital spending intentions survey.

Commodity prices to remain sufficiently high to support the mining sector

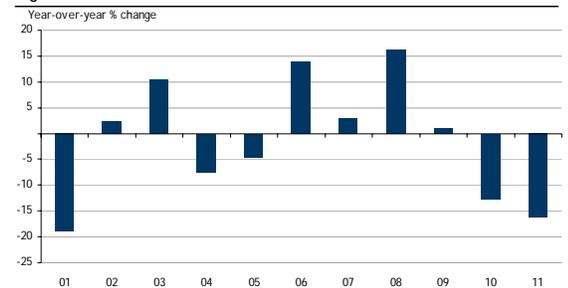
Although external risks centred on the European sovereign-debt issue present challenges to the outlook, our forecast assumes that the global recovery will continue. Such a recovery would keep demand for most natural resource commodities strong with attendant upward pressure on prices. This is expected to keep activity growing in the province's base metal mining sector both this year and next. These factors are expected to keep growth in mining during the forecast close to 2012 pace of close to 6%.

Non-residential capital investment: Manitoba



* 2012 (Intentions)
Source: Statistics Canada, RBC Economics Research

Agriculture real GDP: Manitoba



Source: Statistics Canada, RBC Economics Research

Manitoba forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	2.4	1.3	3.1	3.0
Employment	1.9	0.8	1.1	1.3
Unemployment rate (%)	5.4	5.4	5.3	4.9
Retail sales	5.7	4.3	4.0	5.1
Housing starts (units)	5,888	6,083	6,200	5,800
Consumer price index	0.8	2.9	1.3	2.1

Paul Ferley
Assistant Chief Economist

In the middle of the provincial pack

Ontario’s economic growth rate will close much of the gap with the national average this year. We expect real GDP growth in Ontario to accelerate to 2.5% in 2012, or just shy of the 2.6% projected for Canada, from an estimated 1.9% in 2011. This stronger pace of advance will result in large part from improvement in the provincial export performance, whereby net external trade will add to growth rather than subtract from it. Brisk residential construction activity will play a significant supporting role. Public-sector spending restraint will work in the opposite direction, however, and contribute to keeping growth in the middle of the pack among the provinces.

Less drag from external trade

As we noted in previous editions of *Provincial Outlook*, recovery in US motor vehicle sales and production is clearly helping re-invigorate Ontario’s key auto sector. New motor vehicle production in Canada (situated, for all intents and purposes, entirely in Ontario for light vehicles) stepped up significantly since the recession lows and, following a strong push since late last year, has now virtually returned to pre-recession levels. In the first four months of 2012, auto production averaged a little more than 2.5 million units (annualized), which is just a shade lower than the 2.6 million unit average during the 10 years prior to the recession. Recovery in Ontario’s auto sector was one of the main factors contributing to a rise in provincial exports in the early months of this year—which gained 7% from a year ago in the first quarter of 2012. Rising sales of machinery and equipment also were a positive element. We expect stronger exports to reduce Ontario’s trade deficit this year. External trade, thus, will add to provincial growth for the first time in 10 years.

Housing construction not letting up

Domestically, residential investment shows no sign of letting up so far this year. In the first quarter of 2012, the value of new home construction in Ontario was up by more than 17% from a year ago, and we see little in the way of any significant slowdown in the near term. Housing starts surged in March and April to a seven-year high in the province. New home sales were particularly strong last year in the Greater Toronto Area (a new record high was set in the condo segment), which filled the construction pipeline up considerably in Ontario’s largest urban area. With so many projects on deck, we revised our housing starts forecast higher for both 2012 and 2013. Instead of a gradual moderation in both years, we now expect Ontario starts to rise from 67,800 units in 2011 to 74,800 units in 2012 before easing to 68,500 units in 2013.

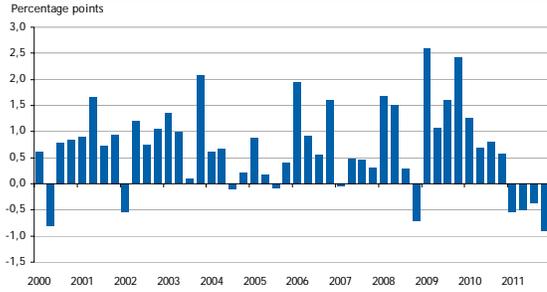
Fiscal drag

While the Ontario economy will gather some speed this year, it will continue to face headwinds, including restraint from the public sector. One of the manifestations of this restraint has been declining public-sector employment. Since June of 2011, public-sector jobs have fallen by almost 5%. The Ministry of Ontario’s provincial account estimates also show that public spending of good services and capital investment has subtracted from economic growth in every quarter in 2011—by nearly one full percentage point in the fourth quarter of 2011. We expect such ‘drag’ to persist this year and likely beyond.

Slight moderation in growth in 2013

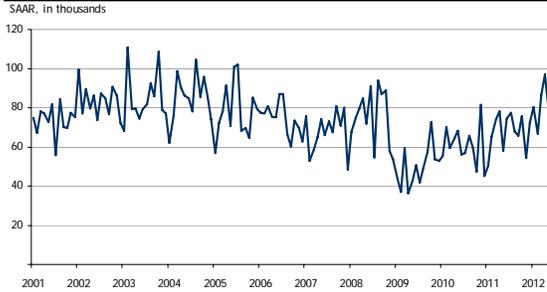
We expect provincial export gains to level off next year once Ontario’s auto industry reaches production levels closer to capacity. Similarly, residential construction will ease a little as housing starts slow. These developments will lead to a slight moderation in growth in the provincial economy to a rate of 2.4%.

Government sector contribution to growth in Ontario



Source: Ontario Ministry of Finance, RBC Economics Research

Housing starts: Ontario



Source: Canada Mortgage and Housing Corporation, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	3.0	1.9	2.5	2.4
Employment	1.7	1.8	1.0	1.4
Unemployment rate (%)	8.7	7.8	7.6	7.4
Retail sales	5.4	3.6	3.7	3.9
Housing starts (units)	60,433	67,821	74,800	68,500
Consumer price index	2.4	3.1	1.8	1.9

Robert Hogue
Senior Economist



Stuck in low gear

Improving job numbers in recent months brought a sigh of relief in Quebec. It turns out that the substantial employment drop seen in the Labour Force Survey (LFS) last fall was more a statistical blip than a forewarning of an imminent economic slump. This is not to say that the Quebec economy is roaring at this stage. At best, it is running in low gear, as it has been for the better part of the past year. We expect this modest pace of growth to persist during the remainder of this year, before accelerating slightly next year on the impetus of strengthening US demand. We project Quebec real GDP to grow at a rate of 1.6% in 2012 and 1.9% in 2013, both little changed from the lacklustre 1.7% registered in 2011.

Jobs dip just a blip

The strong employment gains between March and May in Quebec, which totalled more than 74,000 net new jobs, largely put to rest our concern that the provincial economy was at risk of encountering serious weakness in consumer-dependent activity. The labour market is typically a lagging indicator, but we feared that the severity of the job losses reported in the LFS—the survey indicated 61,000 jobs disappeared between October and December last year in the province—would unsettle consumers and homebuyers. The reversal of the losses and the fairly steady upward trend (albeit modest) in payroll employment (the other labour market gauge) suggest that the drop was most likely a statistical head fake and that little adverse consequences should be expected from it. Nonetheless, while the Quebec job market may not be slumping, it is not booming either. Compared to a year ago, the latest employment levels barely gained ground, and the unemployment rate is a little higher, which is not much to put Quebecers in a spending mood. At 2.5%, growth in provincial retail sales has been one of the slower rates in Canada so far this year.

Mixed bag so far...

Elsewhere in the Quebec economy, performance in the early months of 2012 has been a mixed bag. Mining production was up modestly, led by higher gold and iron ore output. Business and personal services were also moderately ahead in most cases. Manufacturing activity was flat overall, with gains in aerospace and machinery offsetting weakness in food products, paper, and transportation equipment other than aircrafts. The wholesale and retail trade sectors showed small increases. Construction activity cooled a little, although a surge in housing starts in April suggests that the residential side heated up again this spring. All things considered, monthly estimates for provincial real GDP by the *Institut de la statistique du Québec* point to a very slow pace ranging between 0.8% and 1.2% (annualized) in the first quarter of this year, which would be just a slight improvement from the 0.5% average in the previous three quarters.

...but things will pick up going forward

We remain confident that growth will pick up moderately during the remainder of 2012, however. We expect that plans to boost capital investment by 8.5% this year revealed in Statistics Canada's *Public and Private Investment Intentions* report published in February will be realized for the most part, and this will set non-residential investment on a higher course. Importantly, we expect that a strengthening US economy will re-invigorate demand for Quebec's export products, and this would benefit the provincial manufacturing sector.

Employment: Quebec



Source: Statistics Canada, RBC Economics Research

Manufacturing shipments: Quebec



Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	2.5	1.7	1.6	1.9
Employment	1.7	1.0	0.4	1.4
Unemployment rate (%)	8.0	7.8	8.0	7.8
Retail sales	6.2	2.9	3.4	4.0
Housing starts (units)	51,363	48,387	46,400	41,500
Consumer price index	1.3	3.0	2.4	2.0

Robert Hogue
Senior Economist

Early performance disappoints

Following a near-halt in economic activity in New Brunswick last year (with our revised estimate showing real GDP growth of just 0.2% in 2011), it looked as though things could only become better in 2012. Unfortunately, incoming data have been mixed at best. The labour market has been extremely volatile so far in 2012, with declines in the first quarter reversed in the latest two months, while manufacturing shipments and housing starts have been disappointing. On the other hand, exports have shown moderate growth so did retail sales. We expect that the data will point to a robust improvement in the provincial economy during the rest of this year and will be supported by increases in private-sector capital spending and a strengthening US economy. We project real GDP growth in New Brunswick of 1.6% in 2012 and 2.1% in 2013.

Looking through labour market volatility

The second half of 2011 provided evidence that the long decline in New Brunswick employment had finally come to an end. Between August and December, the economy created 5,900 jobs—recovering just under half of the 13,800 jobs lost since employment peaked in October 2009. Labour market trends have been harder to decipher thus far through 2012, though, as the first three months of the year saw a sharp 7,600 decline, only to be more than reversed by the 9,800 job gains in April and May. The modest net increase is consistent with our expectation that the province will maintain a positive job growth through the remainder of this year, though the expected drag from the public-sector due to fiscal austerity at the federal and provincial levels will constrain the overall pace of growth to 0.4% for 2012.

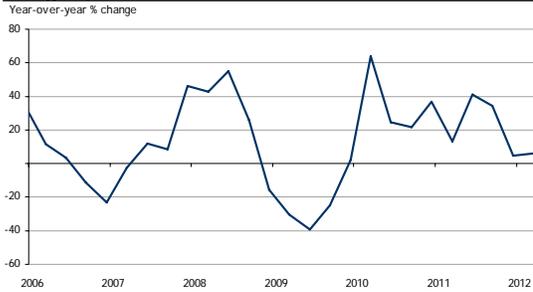
Indicators not indicating much

Other indicators of economic activity in the province in the early part of this year have been a mixed bag as well, generally lacking a trend one way or the other. Manufacturing shipments were down by an annualized 9.1% on in the first quarter of 2012 on a quarterly basis. Housing starts have also disappointed, averaging just 2,600 annualized units during the first five months of the year compared to the 3,200 pace seen in 2011. Nominal exports rose by 3.1% on a year-over-year basis in the first quarter of 2012, with energy exports (which make up the majority of both provincial exports and imports due to the refinery in Saint John) increasing by a stronger 6.1%. Non-energy exports fell by 3.0% in nominal terms in the first quarter of the year. Somewhat surprisingly in light of recent employment declines, retail sales have been fairly buoyant by increasing by 3.9% on a year-over-year basis in the first quarter of the year, supported by a 5.0% gain in sales of motor vehicle and parts.

Improvements on the way

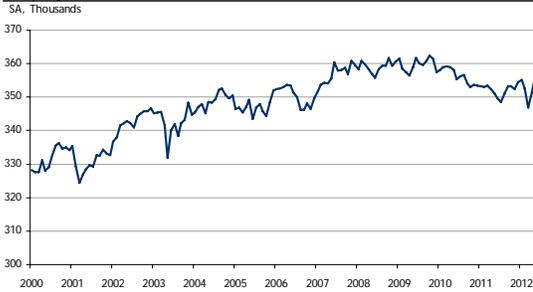
While the data on the whole have been somewhat lacklustre so far this year, we continue to expect improvement in New Brunswick's economy going forward. Private-sector capital spending is set to increase in 2012, and strengthening US growth should lead to an improvement in non-energy exports. We expect these factors to stimulate other parts of the provincial economy as well. Looking further out, performance in 2013 will benefit from spill-over effects from the Nova Scotia shipbuilding contract. All things considered, we expect provincial GDP growth to regain its footing in 2012 and 2013.

Energy exports: New Brunswick



Source: Statistics Canada, RBC Economics Research

Employment: New Brunswick



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	3.1	0.2	1.6	2.1
Employment	-1.0	-1.1	0.4	1.2
Unemployment rate (%)	9.3	9.5	9.8	9.3
Retail sales	5.0	4.8	3.2	3.7
Housing starts (units)	4,101	3,452	2,700	3,200
Consumer price index	2.1	3.5	2.1	2.1

Kirsten Cornelson
Economist

David Onyett-Jeffries
Economist



Waiting for the ship to come in

With a boost to Nova Scotia's economy related to the federal shipbuilding contract not likely to be felt in earnest until 2013, the largest provincial economy in the Atlantic region will have to endure significant headwinds in the current year as it waits for its economic ship to come in. Setbacks in the paper industry (including the closure of the NewPage paper mill and several temporary shut-downs at Bowater Mersey) and ongoing declines at the Sable Offshore Energy Project are weighing on overall economic activity so far this year, although there are indications of modest growth across the rest of the economy. We expect improvements in both the paper and natural gas industries later this year; nonetheless, weakness in these areas in the early part of 2012 is likely to keep the overall pace of GDP growth subdued at 1.6%.

Paper, natural gas put a damper on exports

As expected, consolidation in the paper industry and ongoing declines in natural gas production are weighing on provincial exports so far this year. Nominal exports were down 21.5% on a year-over-year basis in the first quarter of 2012. Excluding natural gas and major paper exports, the decline was smaller at 7.0%. We expect better overall export performance later this year and into 2013, as pressures in these industries subside and US growth accelerates. Natural gas output will get a lift when the Deep Panuke natural gas project begins production this summer. As well, the NewPage paper factory is expected to re-open toward the end of 2012, assuming the new owners are successful in the remaining negotiations with suppliers (labour and energy agreements were reached in April, although the energy contract must still be approved by regulators), although paper production and exports will likely still decline in 2012.

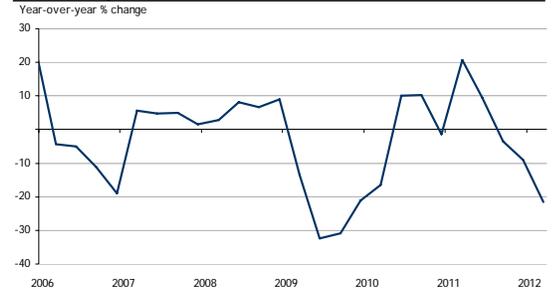
Better news on the domestic front

Excluding export performance, the provincial domestic economy appears to be showing moderate growth so far in 2012. Employment is up 1.0% on a year-over-year basis in May, which is basically in line with our 1.1% forecast for the year as a whole. While this is a relatively modest pace of job gains, it represents a significant improvement over recent performance: the province saw cumulative employment growth of just 0.3% from 2008 to 2011. Against the better employment backdrop, retail sales posted a healthy 4.6% increase on a year-over-year basis in the first quarter of the year, with the largest increases seen in sales at motor vehicle dealers. Housing starts have come in weaker than expected, averaging 3,600 annualized units in the first four months of the year; however, we still expect some improvement in this area as economic activity picks up during the rest of the year.

Brighter skies ahead

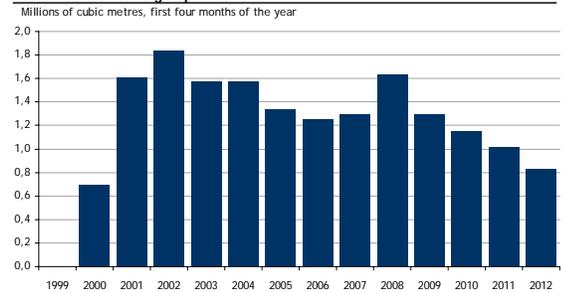
The rebound in the Nova Scotia economy will be more evident in 2013. The combination of the expected pick up in the forest product sector, the full year of production at Deep Panuke, accelerating investment in the Donkin coal mine, and the start of work on the shipbuilding contract should generate considerable momentum in the economy and lead the pace of real GDP growth to double to 3.2%.

Nominal exports: Nova Scotia



Source: Statistics Canada, RBC Economics Research

Offshore natural gas production: Nova Scotia



Source: Canada-Nova Scotia Offshore Petroleum Board, RBC Economics Research

Nova Scotia forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	1.9	0.5	1.6	3.2
Employment	0.2	0.1	1.1	1.8
Unemployment rate (%)	9.3	8.8	8.3	7.9
Retail sales	4.5	3.5	3.5	4.0
Housing starts (units)	4,309	4,644	4,100	4,600
Consumer price index	2.2	3.8	2.2	2.2

Kirsten Cornelson
Economist

David Onyett-Jeffries
Economist



Economy flying early but likely to come closer to earth

Strong demand from both domestic and international customers has been keeping the Prince Edward Island economy going strong in the early part of this year, with both exports and retail sales showing double-digit growth. Exports are likely to see continued strength due to improved agricultural conditions this year and accelerating US growth; however, we expect the pace of retail activity to slow in the coming months as public-sector employment declines and slower population growth put a damper on consumer spending. On the whole, we expect real GDP growth of 1.8% in 2012 and 1.9% in 2013.

Exports taking off...

Nominal exports were up by almost 28% on a year-over-year basis in the first quarter of the year, due to a nearly 150% increase in machinery and equipment exports. Such a solid performance is primarily attributable to strong sales of aircraft-related machinery. While the outsized gain in machinery and equipment exports is unlikely to be sustained, the recent spike implies that the annual growth rate will be quite strong in 2012. Agricultural and fishing products, the province's other main exports, grew by a much more modest 1.4% in the first quarter. We expect some improvement as the agricultural season progresses, under the assumption that normal weather conditions (relative to last year's wet and rainy summer season) continue. Accelerating US growth will keep export growth healthy in 2013.

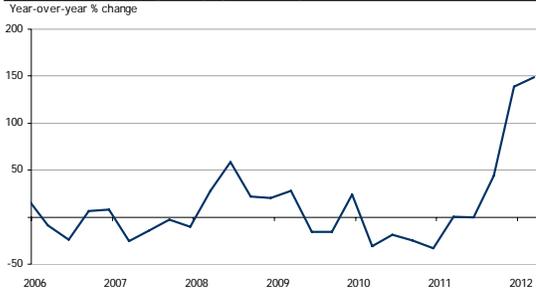
...while autos drive retail sales

Retail sales increased by 8.5% on a year-over-year basis in the first quarter of the year, and were led by sales at motor vehicle and parts dealers (14.7%) and building supply stores (14.1%). Most other expenditure categories also experienced fairly robust growth. The surge in retail sales is a bit puzzling, because employment growth has been modest in the first part of this year, and population growth (a key impetus for economic activity on the Island in recent years) has slowed substantially in the last two quarters. We expect that retail sales will return to a modest pace of growth for the rest of this year and next; however, due to strength in the first quarter, we upwardly revised our 2012 forecast to 4.5% from 4.1%.

Fiscal austerity to weigh on employment

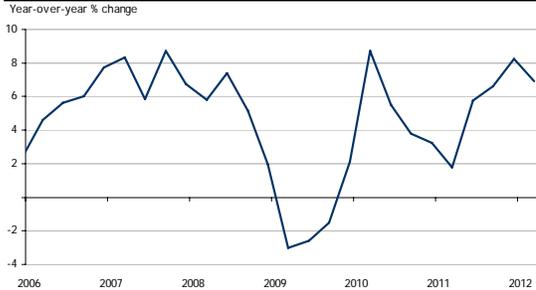
Employment in PEI grew by 1.5% on a year-over-year basis in the five months of the year. This was the result of solid growth of 3.5% in the private sector combined with public-sector employment up 0.5% while self-employment has declined sharply. Going forward, we expect public-sector employment to weigh more heavily on job growth, with both the federal and provincial governments announcing job cuts in their spring budgets. The provincial government will cut 200 jobs in fiscal 2012-2013 and a further 100 jobs the year after. The number and timing of the federal cuts remain unclear, but we assume that they will be somewhat smaller than the provincial cuts—the federal government employs about half as many people in the province as the provincial government, and the overall planned cuts are similar in percentage terms. As a result of these announcements, we lowered our employment growth forecasts. In 2012, we now expect employment growth of 1.4% from 1.7% previously. In 2013, we lowered our forecast to 1.0% from 1.2%.

Nominal machinery & equipment exports: Prince Edward Island



Source: Statistics Canada, RBC Economics Research

Nominal retail sales: Prince Edward Island



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	2.6	1.1	1.8	1.9
Employment	3.0	1.9	1.4	1.0
Unemployment rate (%)	11.1	11.4	11.1	10.4
Retail sales	5.3	5.6	4.5	4.0
Housing starts (units)	756	940	800	800
Consumer price index	1.8	2.9	2.1	2.1

Kirsten Cornelson
Economist

David Onyett-Jeffries
Economist



Slowing down to reload

Economic activity in Newfoundland and Labrador will take a serious hit toward the middle of this year when two of the province's major oil fields will shut down for maintenance, thereby leading to a projected 22% decline in oil production. Fortunately, business investment is poised for another year of double-digit growth, which should keep the economy growing at a pace of 1.9%. The data so far this year are consistent with this moderate growth, with employment, retail sales, and housing starts all approximately in line with our forecasts. Exports are growing well for now but are likely to soften substantially once oil production declines this summer. While we still expect the pace of growth in business investment to fall in 2013, we now anticipate a much smaller drop off in spending by Vale at Long Harbour, based on the company's updated investment plans. As a result, we have upgraded our 2013 real GDP forecast for the province to 3.4%.

Domestic data in line with expectations

The domestic data so far this year are consistent with moderate growth in the Newfoundland and Labrador economy. Employment, which fell off dramatically toward the middle of 2011, has maintained an upward trajectory since then. The labour market has added 3,100 jobs from January to May to push total employment in the province near all-time highs while the unemployment rate has fallen to its lowest level in over a year. Against the strong employment backdrop, retail sales have been slightly stronger than expected with growth averaging 4.9% on a year-over-year basis in the first quarter. As well, housing starts have come in somewhat stronger than expected, with an annualized pace of 3,800 units in the first four months of the year, which is up from 3,500 units, overall, in 2011. We expect both to moderate somewhat for the remainder of the year with annual retail sales growth easing to 3.8% and housing starts averaging 3,500 in 2012.

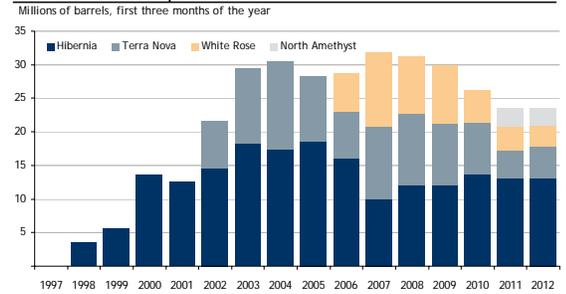
Export strength to run out of energy this year...

Nominal exports were up by 8.4% on a year-over-year basis in the first quarter of 2012, with both of the province's major export categories (energy and industrial goods) showing solid growth. We expect a significant decline in energy production and exports toward the middle of this year, due to maintenance shut-downs at two of the major oil fields (Terra Nova and White Rose), which have combined to account for one-third of total production so far this year. The opposite is true of iron ore export volumes, however, which declined in the first quarter but is expected to rebound during the rest of this year and next as production ramps up at new and existing mining facilities. Nonetheless, it is unlikely that iron ore gains will be sufficient to offset declines in energy exports this year.

...but business investment to pick up the slack

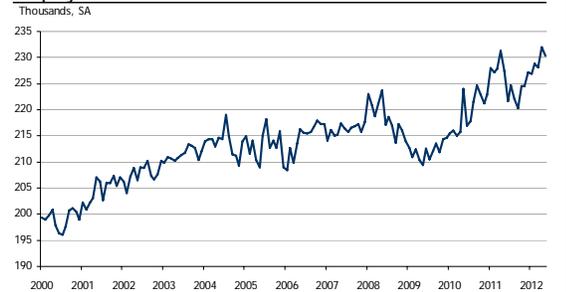
Statistics Canada's recently released preliminary GDP figures highlight just how important major investment projects have become for Newfoundland and Labrador. The estimates indicate that the construction industry contributed a hefty 1.2 percentage points to GDP growth in 2011; in contrast, the mining, oil, and gas sector contributed just 0.2 percentage points. With Statistics Canada's *Private and Public Investment Intentions* survey showing another year of double-digit growth in capital spending, we expect that business' fixed investment will continue to be a key support for the provincial economy this year and provide an offset to the weakness expected in the energy sector.

Offshore crude oil production: Newfoundland & Labrador



Source: Canada-Newfoundland & Labrador Offshore Petroleum Board, RBC Economics Research

Employment: Newfoundland & Labrador



Source: Statistics Canada, RBC Economics Research

Newfoundland forecast at a glance

% change unless otherwise indicated

	2010	2011	2012F	2013F
Real GDP	6.1	3.0	1.9	3.4
Employment	3.4	2.7	1.8	1.7
Unemployment rate (%)	14.4	12.7	12.5	11.5
Retail sales	4.6	5.1	3.8	4.9
Housing starts (units)	3,606	3,488	3,500	3,500
Consumer price index	2.4	3.4	2.2	2.1

Kirsten Cornelson
Economist

David Onyett-Jeffries
Economist



Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Employment				Unemployment rate %				Housing starts Thousands				Retail sales				CPI			
	10	11F	12F	13F	10	11	12F	13F	10	11	12F	13F	10	11	12F	13F	10	11	12F	13F	10	11	12F	13F
N. & L.	6.1	3.0	1.9	3.4	3.4	2.7	1.8	1.7	14.4	12.7	12.5	11.5	3.6	3.5	3.5	3.5	4.6	5.1	3.8	4.9	2.4	3.4	2.2	2.1
P.E.I.	2.6	1.1	1.8	1.9	3.0	1.9	1.4	1.0	11.1	11.4	11.1	10.4	0.8	0.9	0.8	0.8	5.3	5.6	4.5	4.0	1.8	2.9	2.1	2.1
N.S.	1.9	0.5	1.6	3.2	0.2	0.1	1.1	1.8	9.3	8.8	8.3	7.9	4.3	4.6	4.1	4.6	4.5	3.5	3.5	4.0	2.2	3.8	2.2	2.2
N.B.	3.1	0.2	1.6	2.1	-1.0	-1.1	0.4	1.2	9.3	9.5	9.8	9.3	4.1	3.5	2.7	3.2	5.0	4.8	3.2	3.7	2.1	3.5	2.1	2.1
QUE.	2.5	1.7	1.6	1.9	1.7	1.0	0.4	1.4	8.0	7.8	8.0	7.8	51.4	48.4	46.4	41.5	6.2	2.9	3.4	4.0	1.3	3.0	2.4	2.0
ONT.	3.0	1.9	2.5	2.4	1.7	1.8	1.0	1.4	8.7	7.8	7.6	7.4	60.4	67.8	74.8	68.5	5.4	3.6	3.7	3.9	2.4	3.1	1.8	1.9
MAN.	2.4	1.3	3.1	3.0	1.9	0.8	1.1	1.3	5.4	5.4	5.3	4.9	5.9	6.1	6.2	5.8	5.7	4.3	4.0	5.1	0.8	2.9	1.3	2.1
SASK.	4.0	4.8	3.7	3.9	0.9	0.3	1.8	1.9	5.2	5.0	4.8	4.6	5.9	7.0	7.8	7.9	3.4	7.5	5.5	6.6	1.3	2.8	1.9	2.6
ALTA.	3.3	5.2	4.0	3.9	-0.4	3.8	2.8	2.6	6.5	5.5	4.9	4.4	27.1	25.7	32.3	32.5	6.0	6.9	7.9	6.8	1.0	2.4	1.5	1.8
B.C.	3.0	2.9	2.6	2.9	1.7	0.8	1.5	1.4	7.6	7.5	7.0	6.8	26.5	26.4	25.2	23.5	5.4	3.1	4.1	4.4	1.4	2.3	1.3	1.3
CANADA	3.2	2.4	2.6	2.6	1.4	1.6	1.1	1.6	8.0	7.5	7.3	7.0	190	194	204	192	5.6	4.1	4.3	4.6	1.8	2.9	1.9	1.9

Key provincial comparisons

2010 unless otherwise indicated

	N. & L.	P.E.I.	N.S.	N.B.	QUE.	ONT.	MAN.	SASK.	ALTA.	B.C.
Population (000s) (2011)	511	146	945	755	7,980	13,373	1,251	1,058	3,779	4,573
Gross domestic product (\$ billions)	28.2	5.0	36.4	29.4	319.3	612.5	54.3	63.6	263.5	203.1
Real GDP (\$2002 billions)	19.0	4.3	30.0	24.2	273.9	527.8	43.7	41.5	183.3	167.1
Share of Canada real GDP (%)	1.4	0.3	2.3	1.8	20.7	39.8	3.3	3.1	13.8	12.6
Real GDP growth (CAR, 2005-10, %)	1.6	1.8	1.3	1.4	1.4	0.7	2.4	1.3	1.4	1.7
Real GDP per capita (\$ 2002)	37,214	29,966	31,701	32,166	34,640	39,902	35,435	39,769	49,249	36,899
Real GDP growth rate per capita (CAR, 2005-10, %)	1.7	1.1	1.2	1.2	0.5	-0.4	1.4	0.3	-0.9	0.2
Personal disposable income per capita (\$)	27,402	24,645	27,308	27,091	26,642	29,893	27,645	30,593	37,885	29,175
Employment growth (CAR, 2006-11, %)	1.0	1.1	0.5	0.1	1.1	0.9	1.2	1.3	1.8	1.2
Employment rate (May, 2012, %)	53.9	59.7	58.1	57.5	60.2	61.2	65.5	66.3	70.4	60.9
Discomfort index (inflation + unemp. rate, Apr. 2012)	15.3	13.4	11.6	12.4	10.4	9.9	7.1	7.0	5.7	7.8
Manufacturing industry output (% of real GDP)	4.1	9.5	9.1	11.5	16.3	15.1	11.3	7.0	8.0	8.6
Personal expenditures on goods & services (% of real GDP)	60.5	72.3	73.1	69.4	65.6	63.0	65.3	60.9	55.3	71.3
International exports (% of real GDP)	34.9	26.0	22.4	40.0	29.6	38.6	30.4	35.3	35.8	24.9

Tables

British Columbia

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	159,729	164,496	165,641	162,225	167,140	171,987	176,493	181,611
	% change	4.1	3.0	0.7	-2.1	3.0	2.9	2.6	2.9
Employment	thousands	2,147	2,223	2,266	2,218	2,257	2,275	2,309	2,342
	% change	2.6	3.5	2.0	-2.1	1.7	0.8	1.5	1.4
Unemployment rate	%	4.8	4.3	4.6	7.7	7.6	7.5	7.0	6.8
Retail sales	\$ millions	53,133	56,930	57,783	55,222	58,220	60,005	62,480	65,228
	% change	7.6	7.1	1.5	-4.4	5.4	3.1	4.1	4.4
Housing starts	units	36,443	39,195	34,321	16,077	26,479	26,400	25,200	23,500
	% change	5.1	7.6	-12.4	-53.2	64.7	-0.3	-4.5	-6.7
Consumer price index	2002=100	108.1	110.0	112.3	112.3	113.8	116.5	118.0	119.6
	% change	1.7	1.7	2.1	0.0	1.4	2.3	1.3	1.3

Alberta

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	180,852	184,008	185,668	177,376	183,251	192,780	200,491	208,310
	% change	5.8	1.7	0.9	-4.5	3.3	5.2	4.0	3.9
Employment	thousands	1,916	1,991	2,054	2,025	2,017	2,094	2,152	2,208
	% change	5.0	3.9	3.1	-1.4	-0.4	3.8	2.8	2.6
Unemployment rate	%	3.4	3.5	3.6	6.6	6.5	5.5	4.9	4.4
Retail sales	\$ millions	55,972	61,487	61,614	56,478	59,849	64,004	69,060	73,725
	% change	15.4	9.9	0.2	-8.3	6.0	6.9	7.9	6.8
Housing starts	units	48,962	48,336	29,164	20,298	27,088	25,704	32,300	32,500
	% change	19.9	-1.3	-39.7	-30.4	33.5	-5.1	25.7	0.6
Consumer price index	2002=100	112.3	117.9	121.6	121.5	122.7	125.7	127.6	129.8
	% change	3.9	4.9	3.2	-0.1	1.0	2.4	1.5	1.8

Saskatchewan

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	38,266	39,626	41,466	39,911	41,520	43,513	45,123	46,883
	% change	-1.6	3.6	4.6	-3.8	4.0	4.8	3.7	3.9
Employment	thousands	492	504	513	519	524	526	535	545
	% change	1.8	2.4	1.7	1.3	0.9	0.3	1.8	1.9
Unemployment rate	%	4.7	4.2	4.1	4.8	5.2	5.0	4.8	4.6
Retail sales	\$ millions	11,554	13,129	14,673	14,598	15,101	16,234	17,119	18,243
	% change	7.0	13.6	11.8	-0.5	3.4	7.5	5.5	6.6
Housing starts	units	3,715	6,007	6,828	3,866	5,907	7,031	7,800	7,900
	% change	8.1	61.7	13.7	-43.4	52.8	19.0	10.9	1.3
Consumer price index	2002=100	109.1	112.2	115.9	117.1	118.7	122.0	124.2	127.5
	% change	2.0	2.9	3.2	1.1	1.3	2.8	1.9	2.6

Manitoba

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	40,181	41,263	42,838	42,705	43,746	44,315	45,688	47,059
	% change	3.4	2.7	3.8	-0.3	2.4	1.3	3.1	3.0
Employment	thousands	589	599	608	608	620	624	631	639
	% change	1.2	1.7	1.7	0.0	1.9	0.8	1.1	1.3
Unemployment rate	%	4.3	4.4	4.2	5.2	5.4	5.4	5.3	4.9
Retail sales	\$ millions	12,874	14,016	14,980	14,915	15,766	16,448	17,102	17,978
	% change	4.1	8.9	6.9	-0.4	5.7	4.3	4.0	5.1
Housing starts	units	5,028	5,738	5,537	4,174	5,888	6,083	6,200	5,800
	% change	6.3	14.1	-3.5	-24.6	41.1	3.3	1.9	-6.5
Consumer price index	2002=100	108.7	110.9	113.4	114.1	115.0	118.4	120.0	122.5
	% change	1.9	2.1	2.2	0.6	0.8	2.9	1.3	2.1

Ontario

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	522,998	533,233	529,828	512,685	527,813	537,841	551,287	564,243
	% change	2.4	2.0	-0.6	-3.2	3.0	1.9	2.5	2.4
Employment	thousands	6,449	6,564	6,666	6,502	6,610	6,731	6,800	6,894
	% change	1.2	1.8	1.6	-2.5	1.7	1.8	1.0	1.4
Unemployment rate	%	6.3	6.4	6.5	9.0	8.7	7.8	7.6	7.4
Retail sales	\$ millions	140,591	145,965	151,672	147,920	155,964	161,608	167,587	174,204
	% change	4.0	3.8	3.9	-2.5	5.4	3.6	3.7	3.9
Housing starts	units	73,417	68,123	75,076	50,370	60,433	67,821	74,800	68,500
	% change	-6.8	-7.2	10.2	-32.9	20.0	12.2	10.3	-8.4
Consumer price index	2002=100	108.8	110.8	113.3	113.7	116.5	120.1	122.2	124.5
	% change	1.8	1.8	2.3	0.4	2.4	3.1	1.8	1.9

Quebec

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	260,033	265,585	269,083	267,290	273,856	278,512	282,968	288,203
	% change	1.8	2.1	1.3	-0.7	2.5	1.7	1.6	1.9
Employment	thousands	3,743	3,834	3,880	3,848	3,915	3,954	3,969	4,024
	% change	1.1	2.4	1.2	-0.8	1.7	1.0	0.4	1.4
Unemployment rate	%	8.1	7.2	7.2	8.5	8.0	7.8	8.0	7.8
Retail sales	\$ millions	86,505	90,406	94,806	93,740	99,509	102,444	105,927	110,116
	% change	4.9	4.5	4.9	-1.1	6.2	2.9	3.4	4.0
Housing starts	units	47,877	48,553	47,901	43,403	51,363	48,387	46,400	41,500
	% change	-6.0	1.4	-1.3	-9.4	18.3	-5.8	-4.1	-10.6
Consumer price index	2002=100	108.7	110.4	112.7	113.4	114.8	118.3	121.2	123.6
	% change	1.7	1.6	2.1	0.6	1.3	3.0	2.4	2.0

Tables

New Brunswick

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	23,174	23,439	23,583	23,484	24,216	24,264	24,653	25,170
	% change	2.4	1.1	0.6	-0.4	3.1	0.2	1.6	2.1
Employment	thousands	350	357	359	360	356	352	353	358
	% change	1.0	1.9	0.6	0.1	-1.0	-1.1	0.4	1.2
Unemployment rate	%	8.7	7.5	8.5	8.8	9.3	9.5	9.8	9.3
Retail sales	\$ millions	8,858	9,407	10,018	10,093	10,593	11,102	11,458	11,882
	% change	6.2	6.2	6.5	0.7	5.0	4.8	3.2	3.7
Housing starts	units	4,085	4,242	4,274	3,521	4,101	3,452	2,700	3,200
	% change	3.2	3.8	0.8	-17.6	16.5	-15.8	-21.8	18.5
Consumer price index	2002=100	109.2	111.3	113.2	113.5	115.9	120.0	122.4	125.0
	% change	1.7	1.9	1.7	0.3	2.1	3.5	2.1	2.1

Nova Scotia

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	28,174	28,611	29,378	29,390	29,951	30,101	30,582	31,561
	% change	0.6	1.6	2.7	0.0	1.9	0.5	1.6	3.2
Employment	thousands	441	448	452	451	452	453	458	466
	% change	-0.1	1.6	0.9	-0.1	0.2	0.1	1.1	1.8
Unemployment rate	%	7.9	7.9	7.7	9.2	9.3	8.8	8.3	7.9
Retail sales	\$ millions	11,141	11,616	12,089	12,102	12,652	13,097	13,555	14,097
	% change	5.8	4.3	4.1	0.1	4.5	3.5	3.5	4.0
Housing starts	units	4,896	4,750	3,982	3,438	4,309	4,644	4,100	4,600
	% change	2.5	-3.0	-16.2	-13.7	25.3	7.8	-11.7	12.2
Consumer price index	2002=100	110.4	112.5	115.9	115.7	118.2	122.7	125.4	128.1
	% change	2.1	1.9	3.0	-0.1	2.2	3.8	2.2	2.2

Prince Edward Island

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	4,077	4,149	4,179	4,189	4,297	4,344	4,422	4,506
	% change	4.0	1.8	0.7	0.2	2.6	1.1	1.8	1.9
Employment	thousands	68	69	70	69	71	72	73	74
	% change	0.6	0.7	1.2	-1.4	3.0	1.9	1.4	1.0
Unemployment rate	%	11.0	10.3	10.7	12.0	11.1	11.4	11.1	10.4
Retail sales	\$ millions	1,509	1,621	1,703	1,681	1,770	1,869	1,953	2,032
	% change	6.0	7.4	5.1	-1.3	5.3	5.6	4.5	4.0
Housing starts	units	738	750	712	877	756	940	800	800
	% change	-14.4	1.6	-5.1	23.2	-13.8	24.3	-14.9	0.0
Consumer price index	2002=100	111.6	113.6	117.5	117.3	119.5	123.0	125.6	128.3
	% change	2.2	1.8	3.4	-0.1	1.8	2.9	2.1	2.1

Newfoundland & Labrador

		2006	2007	2008	2009	2010	2011	2012F	2013F
Real GDP	\$2002 millions	18,129	19,791	19,712	17,930	19,027	19,598	19,970	20,649
	% change	3.0	9.2	-0.4	-9.0	6.1	3.0	1.9	3.4
Employment	thousands	215	216	219	212	219	225	229	233
	% change	0.8	0.8	1.1	-3.0	3.4	2.7	1.8	1.7
Unemployment rate	%	14.7	13.5	13.2	15.5	14.4	12.7	12.5	11.5
Retail sales	\$ millions	6,012	6,528	7,009	7,120	7,451	7,830	8,127	8,527
	% change	3.2	8.6	7.4	1.6	4.6	5.1	3.8	4.9
Housing starts	units	2,234	2,649	3,261	3,057	3,606	3,488	3,500	3,500
	% change	-10.6	18.6	23.1	-6.3	18.0	-3.3	0.3	0.0
Consumer price index	2002=100	109.5	111.1	114.3	114.6	117.4	121.4	124.1	126.7
	% change	1.8	1.4	2.9	0.3	2.4	3.4	2.2	2.1

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