



ONTARIO'S ECONOMY HITS A BUMP ON THE ROAD TO RECOVERY: RBC ECONOMICS

TORONTO, September 12, 2011 — After showing promising signs earlier this year, Ontario's economic growth has since been negatively impacted by supply-chain disruptions in the auto sector and slower U.S. growth, according to the RBC Economics Provincial Outlook report released today. RBC forecasts Ontario's economy to grow by 2.3 per cent in 2011 and 2.4 per cent in 2012.

"Ontario's auto sector was severely disrupted by Japan's earthquake and tsunami in March, causing a number of assembly plants to halt or curtail operations for several weeks," said Craig Wright, senior vice-president and chief economist, RBC. "As a result of this catastrophe, car and truck output in the province plummeted by 14 per cent in the second quarter relative to a year ago, which entirely reversed the strong gains we saw in the first quarter."

The RBC report notes that although Ontario's automotive production has declined over the spring, supply chain issues have largely been resolved and will no longer hinder the industry in the months ahead.

Another factor that put a damper on provincial economic performance for the first half of the year was the surge in energy prices over the fall and winter. As consumers paid more for energy, they restrained their spending at retail stores. The modest drop in gasoline prices since spring will ease pressure on household budgets going forward.

"We anticipate Ontario consumers to loosen up their purse strings in the coming months, but not enough to match last year's retail sales growth," added Wright.

On a more positive note, Ontario's job market has been experiencing steady gains. 85,000 new jobs have been created in the province in the first eight months of 2011. The unemployment rate fell by 0.6 percentage points to 7.5 per cent in August. Although this labour market improvement has not quite translated into retail spending strength, it likely helped to maintain brisk activity in Ontario's housing market.

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 <http://www.rbc.com/newsroom/reports.html>.

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