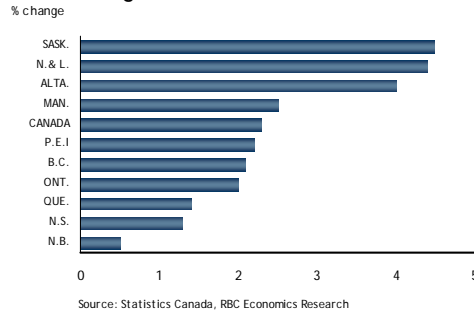


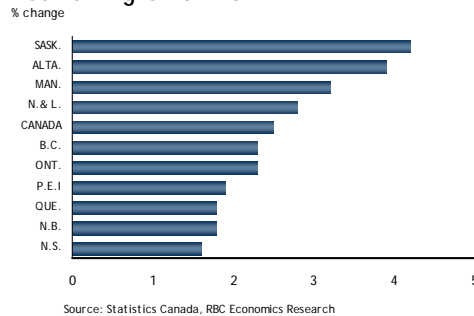
PROVINCIAL OUTLOOK

December 2011

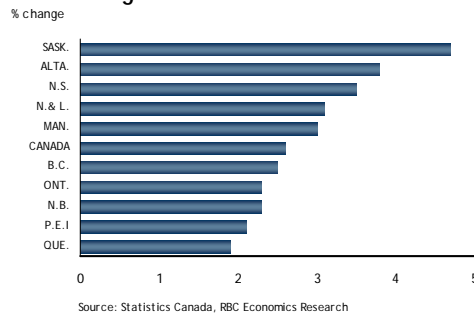
Real GDP growth 2011



Real GDP growth 2012



Real GDP growth 2013



Paul Ferley
 Assistant Chief Economist
 416-974-7231
 paul.ferley@rbc.com

Robert Hogue
 Senior Economist
 416-974-6192
 robert.hogue@rbc.com

Kirsten Cornelson
 Economist
 416-974-8593
 kirsten.cornelson@rbc.com

Provincial economies stay the course in turbulent times

In these turbulent times on the global scene, provincial economies face incessant headwinds on their road to expansion. It is comforting to observe, however, that all provinces remain largely on course. While the European sovereign-debt and banking crises have the potential to slow growth materially, to date the Canadian provinces have weathered these headwinds. As outlined in the December issue of *Economic and Financial Market Outlook*, we assume that European policy-makers will be successful in containing these pressures going forward.

Uneven performance across provinces in 2011

At the provincial level, the latest data indicate that economic growth is back on track across Canada after some weakness was experienced during the spring of this year. Still, the performance looks quite uneven with some provinces (e.g., Saskatchewan, Newfoundland and Labrador, and Alberta) firing on all cylinders, whereas others (e.g., New Brunswick, Nova Scotia, and Quebec) are stuck in low gear. In this issue of *Provincial Outlook*, we make some adjustments to our 2011 growth forecasts to reflect recent developments. We continue to have Saskatchewan (4.5%) atop our growth rankings but now show Newfoundland and Labrador (4.4%) and Alberta (4.0%) closer behind with growth in both revised upward. Manitoba (2.5%), Prince Edward Island (2.2%), British Columbia (2.1%), and Ontario (2.0%) remain near the national average of 2.3%, although all of them except PEI were adjusted slightly lower. We also take Quebec's growth (1.4%) downward modestly, thereby bringing this province closer to Nova Scotia (1.3%) and New Brunswick (0.5%) at the lower end of the provincial growth rankings.

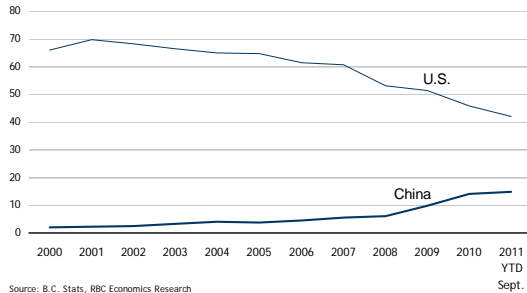
Prairie Provinces at the head of the pack in 2012

We expect the global economic environment to improve a little in 2012. Although we anticipate that the European crisis will ease to some extent next year, it will be a moderately stronger performance of the U.S. economy that will affect provincial economies more materially. Strengthening U.S. demand will benefit growth in Ontario, Quebec, Manitoba, and most Atlantic Provinces more particularly. We, therefore, project faster rates of expansion in these provinces relative to this year; yet the pace will remain generally subdued due in part to fiscal restraint. Nevertheless, the biggest differentiating factor for provincial growth next year will remain the dynamism of the natural resource sector. It will continue to be a catalyst for increased capital investment and production in resource-heavy provinces. Saskatchewan and Alberta—both heavily dependent on natural resources—will, therefore, stay at the head of the pack in 2012. Newfoundland and Labrador will be in a transition phase that will see its growth rate moderate, albeit to a still healthy level.

Similar picture in 2013

Looking ahead to 2013, we believe that key underlying economic factors that will shape 2012—for instance, the strengthening in U.S. demand, continued vigour in global commodity markets, and fiscal restraint will remain in place. In our opinion, the continuation of such economic influences will support similar results in terms of provincial growth relative to 2012. The main exception could be Nova Scotia where stronger capital investment and natural gas production are likely to spur growth much more materially.

British Columbia merchandise exports to U.S. vs to China
% share of total merchandise exports



Source: B.C. Stats, RBC Economics Research

British Columbia unemployment rate



Source: Statistics Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|--------|--------|--------|--------|
| Real GDP | 3.0 | 2.1 | 2.3 | 2.5 |
| Employment | 1.7 | 0.8 | 1.3 | 1.5 |
| Unemployment rate (%) | 7.6 | 7.5 | 6.9 | 6.8 |
| Retail sales | 5.3 | 1.8 | 4.3 | 4.4 |
| Housing starts (units) | 26,479 | 26,600 | 27,800 | 27,000 |
| Consumer price index | 1.4 | 2.4 | 1.5 | 1.5 |

Range bound

Economic performance has been a mixed bag in British Columbia in 2011, and more of the same is expected next year. It seems that for every encouraging sign, there is another that disappoints. For instance, the province’s exporters are in the midst of an impressive push into non-traditional markets such as China, yet they continue to tread water, at best, in the U.S. market. At home, mildly positive trends in the labour market appear to have been largely ignored by consumers and homebuyers who display a high degree of caution. Businesses, on the other hand, feel confident enough to boost their spending on non-residential capital items, but governments are now retrenching and cutting their own capital expenditures. Such a mixed bag of conditions across economic sectors implies a modest growth environment overall in the province. We forecast real GDP to grow by 2.1% in 2011 and accelerate only slightly to 2.3% in 2012 and 2.5% in 2013.

B.C. exporters tapping non-traditional markets

After suffering serious blows in the U.S. market in past years, B.C. exporters made substantial inroads into the much faster-growing Chinese and South Korean markets this year, which led to surges of 45% and 43% in the province’s merchandise exports to each of those two markets, respectively. B.C. lumber and wood pulp producers, in particular, benefited from strong sales increases to China that helped them further recover from the deeply depressed production levels of 2009. While there has been some moderation in B.C. exports to China of late, we believe that the vast potential offered by the Chinese market and the growing success that B.C. exporters are enjoying in it bode well for the province’s external trade performance in the coming years. With added support coming from an expected strengthening in U.S. demand (which remained barely afloat this year), we believe that external trade will no longer subtract from provincial growth but in fact contribute positively to it in 2012.

Employment on a mild upward track

British Columbia’s job market started this year on a worrying note, but it has seen a nice turnaround since then. After spiking to 8.8% in February, the provincial jobless rate subsequently fell to a 33-month low of 6.6% in October before moving up a little to 7.0% in November. Job creation had some lapses at various points this year but remained sustained enough to keep employment on a mildly upward track. We expect little change to this trajectory next year, with employment growth accelerating only modestly to 1.3% from 0.8% in 2011.

B.C. consumers remain cautious

The modest improvement in British Columbia’s job market came up short in terms of enticing consumers to go out and shop. B.C. retailers saw the weakest growth in sales among the provinces this year. In fact, correcting for inflation, retail sales fell in the province during the first eight-month period. In part, this cautiousness displayed by B.C. consumers may reflect pressure on household budgets exerted by the rapid increases in housing costs in areas such as Vancouver in the past year. We expect B.C. home prices to ease a little in 2012, and this will reduce such pressure. Combined with the slightly faster anticipated employment growth, we project a notable rebound in retail sales growth next year.

Robert Hogue
Senior Economist



On a fast track

Amid the heightened economic uncertainty spreading globally in the past several months, Alberta's steady progress toward full recovery from the recession is refreshing. Overcoming obstacles of its own—chief among them the wildfires that caused significant economic disruptions in May—the provincial economy is now displaying the stuff that made it a growth powerhouse a little more than half a decade ago. Impressed by the performance to date, we upgraded our call for Alberta's real GDP growth to 4.0% this year, which is a pace that we believe will be largely sustained in both 2012 and 2013, at 3.9% and 3.8%, respectively. Were it not for the even stronger performance by Saskatchewan, Alberta would recapture the crown of Canada's fastest growing provincial economy.

Job market booming

With the oil industry buzzing like it was in 2006 and serving as a catalyst for activity in other sectors, Alberta's job market is booming. In the first 11 months of this year, there have been 98,000 net new jobs created in the province, representing the best tally since 2006. The gain could well cross the 100,000 mark when all is said and done in 2011, which would set a new record for Alberta. What is most impressive about this supercharged job market is that gains are broadly based across industries. The energy sector is directly responsible for only a small portion of these gains. Small to moderate advances are being registered in the vast majority of industries. Moreover, the boom entirely emanates from the private sector, which is the source of an astounding 116,000 new jobs this year. Such strength easily made up for declines in the public sector and among the self-employed.

Alberta consumers spending big

With job prospects improving so quickly and confidence rebuilding, Alberta consumers have been big spenders in 2011. Retail sales in the province have increased at one of the faster rate in the country, with big ticket items such as motor vehicles enjoying further resurgence from their recessionary lows. We expect that favourable labour market conditions—we project employment to rise by a nation-leading 3.1% next year—will continue to support such positive consumer spending trend in 2012.

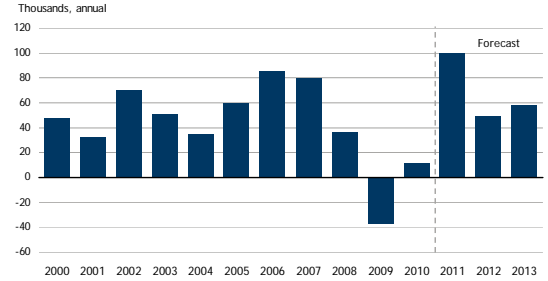
Non-conventional crude production setting new records

Generally, the outlook for the Alberta economy remains very bright (notwithstanding the higher risks that face virtually all global economies). Oil production in the province has now fully recovered from the disruptions caused by the wildfires in May and is now on a record pace. We expect that, with more oilsands capacity continuing to be added, non-conventional crude output will set new highs in the period ahead. Pipeline capacity issues—the topic of much debate in the United States in the past several months that ultimately resulted in delaying the approval decision on the Keystone XL project—might create some transportation bottlenecks to U.S. refineries by 2013, which could restrain growth in the province's exports that year.

Alberta's oilsands: a boon for years to come

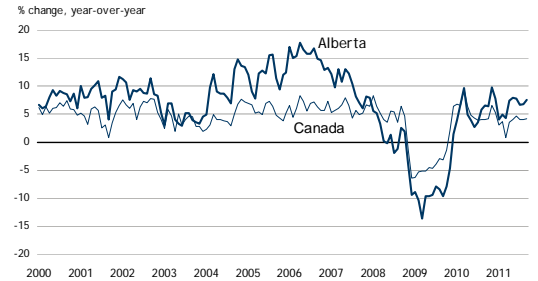
Meanwhile, work on several oilsands megaprojects is proceeding and will continue to generate tremendous economic activity in the province. There is an inventory of \$120 billion worth of oilsands projects at various stages of development currently; and given the strong commitment by all stakeholders to build this resource, it will be a boon to Alberta's economy for years to come.

Alberta net jobs created



Source: Statistics Canada, RBC Economics Research

Alberta retail sales



Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|--------|--------|--------|--------|
| Real GDP | 3.3 | 4.0 | 3.9 | 3.8 |
| Employment | -0.4 | 3.8 | 3.1 | 2.5 |
| Unemployment rate (%) | 6.5 | 5.5 | 5.0 | 4.7 |
| Retail sales | 6.0 | 5.7 | 6.2 | 6.3 |
| Housing starts (units) | 27,088 | 25,900 | 31,000 | 32,000 |
| Consumer price index | 1.0 | 2.3 | 1.5 | 2.0 |

Robert Hogue
Senior Economist

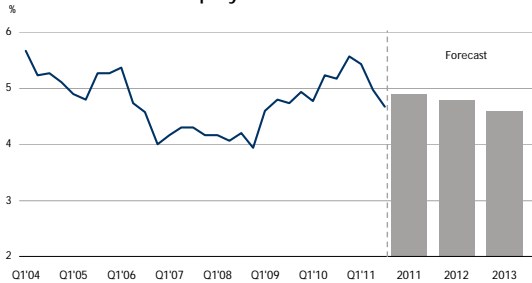


Saskatchewan housing starts



Source: CMHC, RBC Economics Research

Saskatchewan unemployment rate



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|-------|-------|-------|-------|
| Real GDP | 4.0 | 4.5 | 4.2 | 4.7 |
| Employment | 0.9 | 0.3 | 1.7 | 1.9 |
| Unemployment rate (%) | 5.2 | 4.9 | 4.8 | 4.6 |
| Retail sales | 3.1 | 7.1 | 5.3 | 6.5 |
| Housing starts (units) | 5,907 | 7,400 | 7,600 | 7,900 |
| Consumer price index | 1.3 | 2.7 | 2.2 | 2.8 |

Strong economy attracts new residents

The recent data and economic developments continue to support our view that Saskatchewan will lead the country in economic growth throughout 2013. One area of notable underlying strength has been residential investment. We saw an acceleration of activity in the third quarter of 2011 with housing starts rising to their highest levels since the recession. Such vigour has prompted us to revise our forecast upward for Saskatchewan housing starts for 2011 to 7,400 units and for 2012 to 7,600 units. For 2013, we project an even stronger 7,900 units, which would be the highest annual tally since 1979. Residential investment is clearly benefiting from strong economic growth and the positive effect this is having on in-migration. In the second quarter of 2011, the province saw the largest net inflow of migrants, both inter-provincial and international, on record since 1971.

Manufacturing and wholesale trade on a roll

Positive economic news was also evident with manufacturing sales continuing to rise sharply in the third quarter and up over 20% relative to year-ago levels. This strength is a reflection of rising demand and increased production for various natural resource commodities. This factor is also likely contributing to growth in wholesale trade rising 24% in the third quarter. Given this underlying strength in economic activity, it has been surprising that employment has been surprisingly flat for most of this year.

Investment in resource sector still charging higher

Although the global economy is facing some challenges currently, our assumption is that a gradual recovery will be sustained. This is expected to be sufficient to keep most natural resource commodity prices at attractive levels and thus providing ongoing support to economic activity in Saskatchewan. Specifically, this is expected to keep growth in mining strong throughout 2013 with rising production of key outputs for the province such as potash and oil. Moreover, we assume an attendant lift to capital expenditure. The province already benefits from ongoing spending in the Bakken oil fields and the potash mines around Esterhazy, which will continue throughout the forecast. It was recently announced that construction of the \$3.2 billion Legacy potash project north of Moose Jaw will get underway with production slated for 2015. The province may also see the start of engineering and construction work at the Jansen potash project east of Saskatoon in 2012 with preparatory work to date already resulting in \$1.2 billion in expenditures.

Saskatchewan to grow considerably faster than the national average

Evidence of strong natural resource production, and robust business and residential investment spending so far this year confirms that Saskatchewan continues to be in the fast lane. The good news even extends to the agricultural sector where grain production is rebounding solidly after a poor 2010 harvest. We believe that these sectors will contribute to a growth rate of 4.5% in the provincial economy in 2011. While the bounce in the grain harvest will wane in 2012 (assuming normal weather conditions), the province will, nonetheless, maintain a rapid pace next year, decelerating only modestly to 4.2%. With a global economy on the mend by 2013, we expect that demand for various natural resource commodities will continue to be vigorous, thereby driving growth in Saskatchewan back up to 4.7% in 2013.

Paul Ferley
Assistant Chief Economist



Economic diversification pays off

Manitoba's economy is set to add three more years to its track record of moderate but steady progress during the 2011 to 2013 period. The province's relatively stable pace of advance owes a great deal to the wide diversification of its economic base. So far this year, the manufacturing sector, overall, saw sales continue to rise on a year-over-year basis but with diverging paths observed between the non-durable and durable sides in the third quarter. The pace of non-durable good sales slowed while growth in durable products continues strongly with demand holding up in the key transportation equipment and machinery components. Similarly, wholesale trade in the province continues to show a rapid rate of expansion during the third quarter.

Poor weather conditions weigh on agriculture

This strength in manufacturing and wholesale trade so far this year has more than offset declines in agriculture. Extremely wet conditions in the spring, including severe flooding in some locations, curtailed seeding. With weather conditions remaining unfavourable during the growing season, agricultural production is expected to decline by approximately 15% this year. The upside, however, is that we are likely looking at a sharp recovery of the order of 19% in that sector next year, assuming a return to normal weather.

Outpacing most other provinces throughout 2013

The weakness in agriculture is expected to limit overall real GDP growth in the province in 2011 to 2.5%; however, the projected bounce back in grain production in 2012 is expected to help boost real GDP growth that year to 3.2%. The pace of activity is expected to remain solid in 2013 at 3.0% year-over-year. Although this projection for the provincial economy would outdo the national average slightly, it would represent the weakest performance among the three Prairie Provinces because Manitoba is not benefiting to the same extent as Alberta and Saskatchewan from high oil prices. With that said, the province is seeing strengthening oil production with a small portion of the Bakken oil formation extending into the southwest corner of Manitoba. The smaller share of natural resource production is limiting the boost in export revenues and capital expenditure that is expected to be more evident in both of Manitoba's closest western neighbouring provinces.

Construction to hit a lull

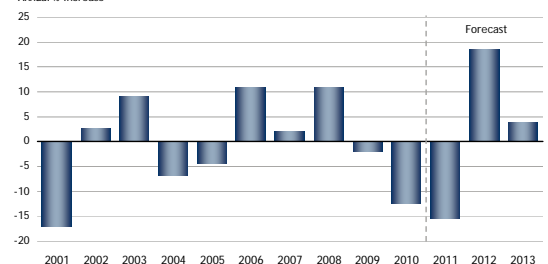
Construction spending will be generally limited over the forecast horizon by the recent completion of a number of major capital expenditure projects, including the expansion of the Winnipeg International Airport and the enlargement of the Red River Floodway, which helped the province weather the last recession. Yet there will still be ongoing work taking place on other projects such as the Canadian Museum of Human Rights, where construction is currently scheduled to continue until the end of 2012. Other projects such as the \$1.2 billion Wuskwatim Generation Project are slated to be completed in early 2012, with no immediate follow up hydro-electric projects by Manitoba Hydro to take its place, thereby resulting in a diminishing contribution to non-residential construction next year. At some point, the provincial utility will likely start work on the next major generating station, the \$5 billion Conawapa station, although actual construction activity is still potentially years away.

Manitoba manufacturing shipments
% change, year-over-year



Source: Statistics Canada, RBC Economics Research

Manitoba agricultural production
Annual % increase



Source: Statistics Canada, RBC Economics Research

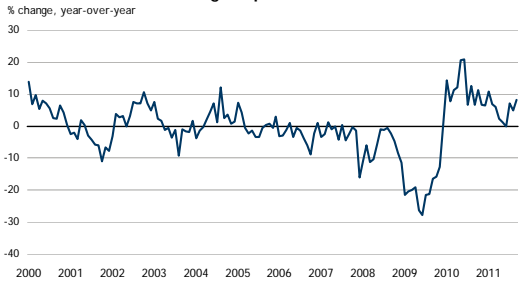
Manitoba forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|-------|-------|-------|-------|
| Real GDP | 2.4 | 2.5 | 3.2 | 3.0 |
| Employment | 1.9 | 0.7 | 0.9 | 1.3 |
| Unemployment rate (%) | 5.4 | 5.4 | 5.3 | 5.0 |
| Retail sales | 5.6 | 4.3 | 4.8 | 4.7 |
| Housing starts (units) | 5,888 | 5,600 | 5,500 | 5,700 |
| Consumer price index | 0.8 | 2.8 | 1.6 | 2.3 |

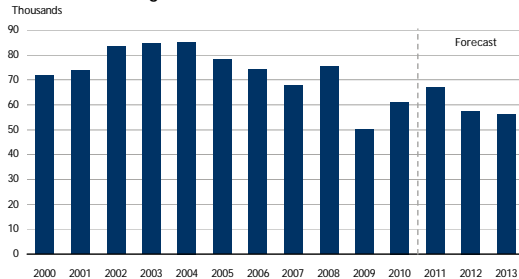
Paul Ferley
Assistant Chief Economist

Ontario manufacturing shipments



Source: Statistics Canada, RBC Economics Research

Ontario housing starts



Source: CMHC, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|--------|--------|--------|--------|
| Real GDP | 3.0 | 2.0 | 2.3 | 2.3 |
| Employment | 1.7 | 1.8 | 1.0 | 1.4 |
| Unemployment rate (%) | 8.7 | 7.9 | 7.7 | 7.5 |
| Retail sales | 5.4 | 3.4 | 4.1 | 3.9 |
| Housing starts (units) | 60,433 | 67,000 | 57,500 | 56,000 |
| Consumer price index | 2.4 | 3.2 | 1.8 | 2.2 |

Engaged on a path of modest growth

Ontario’s economy is showing signs that it is back on its feet after stumbling in the second quarter of this year when severe disruptions in global automotive supply chains hurt its manufacturing sector. While fears of a protracted slowdown in activity are being alleviated, the provincial economy still faces stiff headwinds that will restrain its speed as we head into 2012 and beyond. We believe that, barring any major slippage in the European crisis, the Ontario economy is now engaged on a path of modest growth that will extend into 2013. We forecast real GDP to grow by 2.0% in 2011 and by 2.3% in both 2012 and 2013.

Disruption in the auto sector gradually subsiding

Although some supply-chain issues persist in the auto sector—after the upheaval resulting from the tsunami and earthquake in Japan in March, major flooding in Thailand since July has caused a further disturbance—motor vehicle production in Ontario is now on a recovery course. On a seasonally adjusted basis, monthly production figures have trended higher since August, with a notable acceleration in November, yet the most recent levels still remain below those that prevailed at the start of this year, and we believe that there is plenty of room for further improvement in the coming months. Elsewhere in Ontario’s manufacturing sector, performance is perking upward. In particular, manufacturers of machinery, primary metals and fabricated metal products, have seen their sales gain substantially this year. As U.S. demand continues to strengthen in the period ahead, we expect growth in the province’s manufacturing to be sustained in 2012 and contributing to a modest acceleration in growth next year.

Job market has shifted several gears down since summer

After a very strong first half of this year when 110,000 net new jobs were created, Ontario’s job market has since shifted down several gears. During the July-November period, employment actually fell by 35,000, taking the unemployment rate higher to 7.9% from 7.5% or just slightly below where it started the year (8.1%). Given the earlier substantial gains, the recent partial reversal has had a limited effect on consumer spending and demand for housing in the province. Both have shown sustained, if moderate, increases in the second and third quarters. We believe that the job weakness will soon run its course, but any further deterioration could have adverse repercussions for a number of consumer-dependent sectors, including the housing market next year.

Housing sector to stabilize

Since the early stages of the recovery, Ontario’s housing sector constituted a key source of growth for the provincial economy. With little pent-up demand left to be satisfied and affordability having deteriorated to levels that are now starting to pinch homebuyers, we expect that residential investment will stabilize or decline slightly in the province next year. The shutdown of this growth engine will be a key factor, along with the end of fiscal stimulus spending on infrastructure, thereby holding provincial growth back in 2012.

Robert Hogue
Senior Economist



Bleaker reality sets in

The Quebec economy is experiencing more difficulty than expected in pulling out of its mid-year funk, and this is now dimming its short-term growth prospects. Significant job losses this fall following a lacklustre spring and summer are a particular source of concern as they indicate softer underlying economic activity than we anticipated previously. We, therefore, revised our real GDP growth forecast lower for both 2011 and 2012 in the province. We now project growth of 1.4% this year (down from 1.7% in the September *Provincial Outlook*) and 1.8% next year (down from 2.1%). While we remain confident that the labour market will turn a corner next year, future economic momentum will be restrained by the removal of fiscal stimulus. Peering into 2013, we see only incremental improvement in the provincial economy's growth rate, which we project at 1.9%.

Weak momentum at present

In hindsight, our earlier dismissing of Quebec's economic funk in the second quarter of this year as a short-lived anomaly was perhaps overly optimistic. First, it now appears that the drop in real GDP was somewhat deeper than we had assumed. *Institut de la statistique du Québec* (ISQ) estimates show that second-quarter real GDP fell more in the province (-0.8% annualized) than in all of Canada (-0.5%) although the provincial economy should have been less exposed to the shocks than other parts of the country. Second, monthly real GDP estimates by the ISQ are hinting at an annualized growth rate of around 0.8% in the third quarter, which would be both puny and a significant undershoot of the 3.5% registered at the national level. In short, the Quebec economy is carrying very little momentum at this stage.

Recent job losses cast doubt for a stronger rebound

The prospects for a more decisive turnaround in the fourth quarter or during 2012 are being deflated by a significant deterioration in Quebec's job market in recent months. In particular, back-to-back losses totalling nearly 44,000 jobs in October and November—the worst two-month result since 1982—were a stunner and more than erased gains made at the start of this year. Quite worrying was the fact that the weakness was centred in the private sector (although self-employment also fell notably). We believe that this job weakness was partly a lagged response to the earlier economic funk and will be unwound in the coming months. Nonetheless, the recent deterioration is likely to weigh on consumer confidence as we enter 2012.

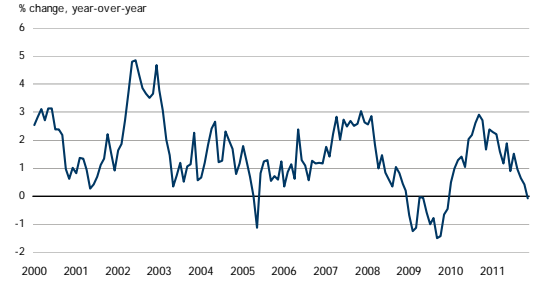
Governments' focus turning to balancing their books

The less supportive labour market conditions next year will coincide with both the federal and provincial governments pulling back on infrastructure spending and focusing on eliminating their deficits. In its fall fiscal update released in November, the Quebec government confirmed that it remains on track to balance its budget by 2013-2014. The province's latest infrastructure plan schedules declines of 5.2% and 5.5% in capital spending in the next two fiscal years, respectively, following significant increases in recent years.

Aluminum projects brighten the outlook for private-sector capital spending

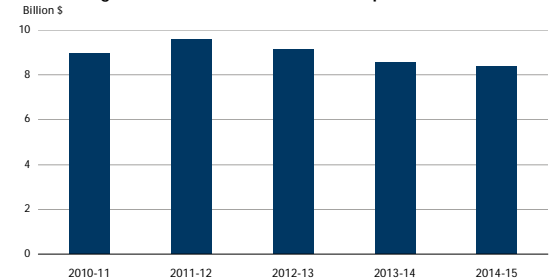
Not all the news was bad lately in Quebec. The announcement of two major investment projects in the aluminum industry brightened the outlook for private-sector capital spending in the province. We assume that work on these projects will ramp up in the coming years, thereby helping to offset the effect of fiscal restraint on growth.

Quebec employment



Source: Statistics Canada, RBC Economics Research

Quebec government's infrastructure plan



Source: Quebec Ministry of Finance, RBC Economics Research

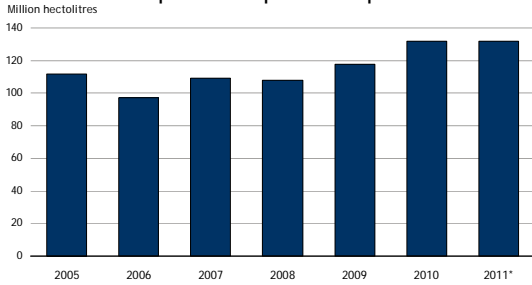
Quebec forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|--------|--------|--------|--------|
| Real GDP | 2.5 | 1.4 | 1.8 | 1.9 |
| Employment | 1.7 | 1.1 | 0.3 | 1.3 |
| Unemployment rate (%) | 8.0 | 7.7 | 7.6 | 7.4 |
| Retail sales | 6.3 | 1.9 | 4.0 | 3.8 |
| Housing starts (units) | 51,363 | 48,400 | 44,500 | 42,500 |
| Consumer price index | 1.3 | 2.9 | 1.5 | 2.2 |

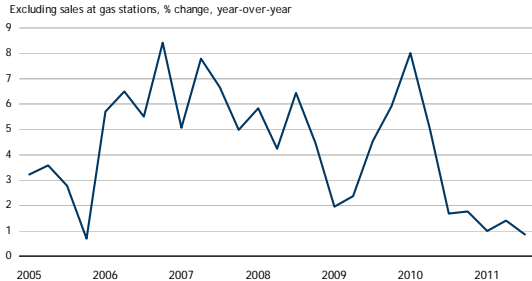
Robert Hogue
Senior Economist

New Brunswick petroleum product exports



*Based on the first nine months.
Source: Statistics Canada, RBC Economics Research

New Brunswick retail sales



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|-------|-------|-------|-------|
| Real GDP | 3.1 | 0.5 | 1.8 | 2.3 |
| Employment | -1.0 | -1.2 | 0.7 | 0.8 |
| Unemployment rate (%) | 9.3 | 9.5 | 9.3 | 9.1 |
| Retail sales | 4.9 | 4.5 | 3.4 | 3.9 |
| Housing starts (units) | 4,101 | 3,300 | 3,200 | 3,300 |
| Consumer price index | 2.1 | 3.4 | 1.9 | 2.4 |

Still a slow grind

After a solid 2010, the New Brunswick economy screeched to a near halt this year: our forecast is calling for just 0.5% real GDP growth in 2011 following 3.1% in 2010. The province’s exporters have faced stiff headwinds, leading to employment losses that have unsettled consumers and homebuyers. Nonetheless, we expect the New Brunswick economy to get going again next year, albeit at a still modest pace of 1.8%. Fiscal restraint will be among the factors limiting the pace of activity.

Provincial exports will pick up next year

While the value of New Brunswick’s merchandise exports shows a strong increase in the first nine months of this year (led by energy exports), this is due mainly to the effect of price increases: real petroleum product exports are essentially flat on a year-over-year basis, and large declines have been seen in the volume of many of the province’s paper and seafood exports. The volume of refined petroleum product exports (by far the province’s biggest export commodity) has been negatively affected by the surge in price earlier this past winter and spring, which dampened U.S. gasoline consumption, as well as by recent maintenance work at the Irving oil refinery. The completion of the maintenance work, and partial reversal of the gasoline price surge amid a strengthening U.S. economy, however, will set the stage for stronger real energy exports in the province in 2012 and 2013.

Fiscal drag on the way

Capital spending in New Brunswick has also been lower this year, due mainly to the end of stimulus funding at the federal and provincial levels. The provincial deficit for the current fiscal year is now projected to be only slightly smaller (\$514 million or 1.7% of GDP) than the previous year’s (\$633 million or 2.2%), and will be the third highest for the province in the past 18 years as a percentage of GDP. This means that the provincial government’s target of balancing the books by 2013-2014 will require a significant degree of fiscal restraint that will act as a drag on economic growth.

Sluggish job market cast a shadow on consumers

The poor performance of New Brunswick’s labour market continued in 2011. In the first 11 months of this year, 2,900 more jobs were lost in the province, following the losses of 4,100 in 2010 and 2,500 in 2009. Notable declines were evident among the self-employed, the primary sector, and a number of services-producing industries this year. The weak employment situation has cast a large shadow over consumer spending in the province. Retail sales showed little growth so far in 2011: excluding sales at gasoline stations, they increased by just 1.0% in the first 10 months of this year, relative to the same period in 2010. Another casualty of weak employment has been provincial housing activity. Home resales in October fell 1.4% year-over-year, representing some of the softer market conditions among the provinces. We believe that job creation will resume next year in New Brunswick with the help of an improving economy, although employment growth is likely to be fairly subdued at 0.7% with a marginal acceleration projected for 2013 to 0.8%.

Kirsten Cornelson
Economist



Good things come to those who wait

Nova Scotia’s economy is in waiting mode. Economic growth has been slow in 2011, with ongoing declines in natural gas production and lower major project investment contributing to weak employment growth and consumer spending. There are several key developments on the horizon that should lead to faster growth in the coming years; however, these will have their largest effects only in the medium to longer term. Until then, the province will continue to see a relatively muted pace of expansion. We expect slightly faster real GDP growth of 1.6% for Nova Scotia in 2012, from a weak 1.3% in 2011. The economy’s pace will pick up substantially by 2013, however, when important new projects start to kick in. We forecast growth to accelerate to 3.5% in 2013.

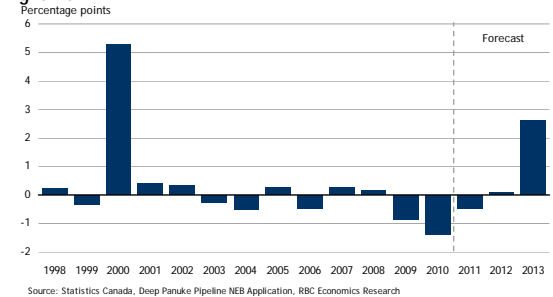
Economic growth on hold for now

Ongoing declines in natural gas production from the Sable natural gas field, combined with lower major capital project spending, have put a heavy damper on economic growth in Nova Scotia this year. Average employment was down 0.2% over the first 11 months of 2011 relative to the same period last year, with the weakness entirely in private-sector jobs (where notable declines were registered in finance, insurance and real estate, business and building services, primary industries, and construction). Retail sales have barely grown, increasing by just 0.2% relative to last year when sales at gasoline stations are removed (buoyed by higher prices). There have been some bright spots, with manufacturing sales and exports both climbing; however, the closure of the New Page paper mill in September will constrain further growth in these areas. We expect that these trends will keep economic activity in the province subdued throughout the rest of this year and into 2012.

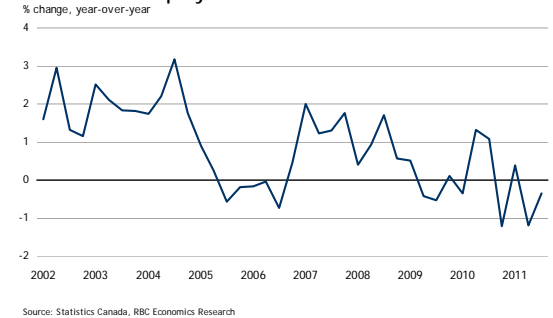
Faster growth in view

While we do not expect a major acceleration of activity in the Nova Scotia economy through to the end of next year, there is reason to be optimistic about the future. The Deep Panuke offshore natural gas project is scheduled to come online in the second quarter of 2012, providing a significant boost to natural gas production next year, although the largest annual gain will be seen in 2013 as output reaches full capacity, and the field sees its first full year of production. Capital spending related to the \$25 billion 30-year shipbuilding contract awarded by the federal government in October to Halifax’s Irving Shipyard is also expected to begin in 2012, initially with work on new structures required for the contract that is expected to last until 2014. In 2013, our forecast assumes that construction on the \$1.2 billion Maritime Transmission Link (as part of the Lower Churchill Project in Labrador) will ramp up. The project is expected to create 2,700 person-years of employment in Nova Scotia, and Newfoundland and Labrador. With such major projects on the way, we expect that Nova Scotia’s growth prospects will improve substantially in the medium term. We forecast the province’s real GDP to grow at a 10-year high rate of 3.5% in 2013.

Nova Scotia mining, oil and gas sector: contribution to growth



Nova Scotia employment



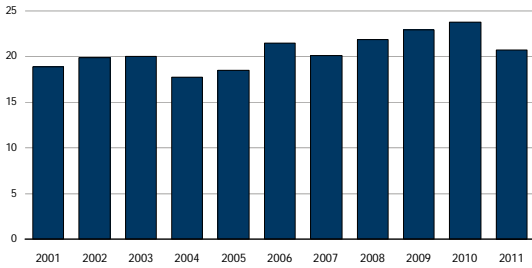
Nova Scotia forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|-------|-------|-------|-------|
| Real GDP | 1.9 | 1.3 | 1.6 | 3.5 |
| Employment | 0.2 | -0.1 | 1.1 | 1.8 |
| Unemployment rate (%) | 9.3 | 9.0 | 8.7 | 8.3 |
| Retail sales | 4.6 | 3.0 | 3.8 | 4.4 |
| Housing starts (units) | 4,309 | 4,600 | 4,000 | 4,600 |
| Consumer price index | 2.2 | 3.8 | 1.9 | 2.4 |

Kirsten Cornelson
Economist

PEI lobster landings
Million pounds, annually



Source: PEI Fisheries, Aquaculture and Rural Development, RBC Economics Research

PEI retail sales

Excluding sales at gasoline stations, % growth, year-over-year



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|------|-------|-------|-------|
| Real GDP | 2.6 | 2.2 | 1.9 | 2.1 |
| Employment | 3.0 | 1.6 | 1.9 | 1.2 |
| Unemployment rate (%) | 11.1 | 11.4 | 10.7 | 10.1 |
| Retail sales | 5.2 | 4.9 | 3.9 | 4.1 |
| Housing starts (units) | 756 | 900 | 800 | 800 |
| Consumer price index | 1.8 | 2.9 | 1.9 | 2.4 |

Growth to set your watch to

Prince Edward Island has had its share of challenges in 2011, with output declines seen in the agricultural and fishing industries, a disappointing tourism season, and planned decreases in capital spending. Nonetheless, the Island economy keeps on ticking, with respectable increases in employment, retail sales, and weekly earnings. We forecast real GDP growth of 2.2% in 2011. Fiscal restraint will weigh a little more heavily on growth in 2012 and 2013; however, stronger performance elsewhere in the economy should help the province maintain its moderate pace of expansion. We are forecasting 1.9% real GDP growth in 2012 and 2.1% in 2013.

Resilience in the face of significant challenges

Wet weather and an uneven U.S. economy weighed on the agriculture, fishing, and tourism sectors in PEI this year. Potato production was down 6.1%, and lobster landings fell by 13%. Travel to PEI by bridge, air, and ferry also fell, as did room-nights sold. A pullback in planned government capital spending quieted an engine of growth following the surge during the 2008-2009 recession. The P.E.I. economy has been surprisingly resilient in the face of these challenges, however. The job market so far showed healthy gains—notably in the professional services and education industries—and consumers have been feeling good enough to increase their spending at a rapid clip relative to consumers in the rest of Canada. Employment in the province was up 2.8% year-over-year in the third quarter, and retail sales were running 6.2% higher if we exclude sales at gasoline stations (which can distort the picture due to pronounced gas price fluctuations). Lending strong support to demand for goods and services within the province has been rapid population growth. Substantial increases in net international migration, in particular, fuelled PEI’s population to its fastest rate of annual growth (1.7%) in 40 years.

Fiscal restraint to weigh more heavily on growth in 2012 and 2013

With all levels of government turning their focus toward eliminating deficits, fiscal restraint will weigh more heavily on P.E.I. growth in the coming years. Non-residential investment depends on public sources disproportionately in the province—public investment represents approximately 47% of total non-residential investment in PEI compared with an average of 35% in Canada. At the provincial level, the PEI government’s latest government five-year capital plan indicates that it projects to cut capital spending by 11% in 2011 and by significantly more in the next two years: -24% in 2012 and -30% in 2013. After contributing approximately 1.5 percentage points to growth in 2010, government capital expenditures are now on a path to subtract about as much from growth in each of the next two years. Fortunately, we expect the fiscal restraint headwinds to be more than offset by sustained growth in consumer spending, stronger exports to the United States, and normalization in agricultural and fishing yields. As a result, we expect that PEI’s pattern of modest but stable economic growth will continue during the next two years at 1.9% in 2012 and 2.1% in 2013.

Kirsten Cornelson
Economist



Cruising Speed

Newfoundland and Labrador has been among the growth leaders in Canada since the start of the recovery. The province's solid performance in 2011 (our forecast calls for 4.4% real GDP growth) was mainly the result of large increases in major construction project spending, which more than compensated for declines in oil production and mixed performance in the mineral sector. Next year, capital investment growth will moderate, and oil declines will continue; however, mining production should see a strong increase. On net, we think this will lead to slower (but still healthy) growth of 2.8%. Further increases in mining production and the start of construction at Muskrat Falls hydro project will be key factors to boosting growth to 3.1% in 2013.

Construction creates forward momentum in 2011

Newfoundland and Labrador's economy benefited from tremendous vigour in non-residential construction in 2011, which has stimulated by a surge in spending on major commodity production projects. The Atlantic Provinces Economic Council estimates that capital project expenditures will rise by 49% this year or \$2.0 billion relative to 2010. Growth in capital spending more than offset challenges in other areas of the economy, including falling crude oil production and mixed results in the mining sector (lower iron ore production but higher nickel production with the end of the strike at Voisey's Bay). Employment has seen a 3.0% increase in the first 11 months of 2011, relative to the same period last year, and retail sales (excluding gas stations) have grown at a speed that is more than double the Canadian average.

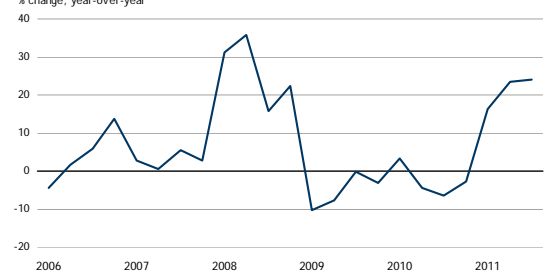
Shifting into lower gear

The National Energy Board forecasts that oil production in Newfoundland and Labrador will fall by nearly 15% in 2011 and by a further 8% in 2012. The effects of declining oil production were masked this year by the surge in major capital project spending. This will be much less the case next year. While non-residential investment is likely to remain high in 2012, the rate of growth in this area will slow significantly. On the other hand, mining output in the province will get a strong boost from the start of production at the Iron Ore Company of Canada expansion and the Ming copper mine. This rise in mining activity will contribute to maintaining overall real GDP growth at a respectable, albeit less hectic rate of 2.8% next year.

Slight pickup in 2013

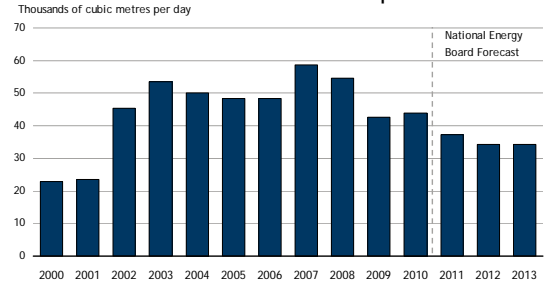
The prospects for further acceleration in non-residential construction and mineral production are bright, and we believe that these sectors will power the provincial economy to an even faster rate of growth of 3.1% in 2013. Non-residential construction activity will pick up as work on the \$5.0 billion Muskrat Falls hydro project begins in earnest. The project is expected to create 2,700 jobs at its peak construction. Mineral output will see further gains, from the start of production at the Direct Shipping iron ore project. These developments will easily offset further expected declines in crude oil production in Newfoundland and Labrador's offshore.

Newfoundland and Labrador construction employment



Source: Statistics Canada, RBC Economics Research

Newfoundland and Labrador crude oil production



Source: National Energy Board, RBC Economics Research

Newfoundland forecast at a glance

% change unless otherwise indicated

| | 2010 | 2011F | 2012F | 2013F |
|------------------------|-------|-------|-------|-------|
| Real GDP | 6.1 | 4.4 | 2.8 | 3.1 |
| Employment | 3.4 | 2.8 | 1.2 | 2.0 |
| Unemployment rate (%) | 14.4 | 12.6 | 11.9 | 11.0 |
| Retail sales | 4.6 | 4.8 | 4.0 | 4.9 |
| Housing starts (units) | 3,606 | 3,500 | 3,300 | 3,500 |
| Consumer price index | 2.4 | 3.3 | 2.0 | 2.4 |

Kirsten Cornelson
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 | 11F | 12F | 13F | 10 | 11F | 12F | 13F | 10 | 11F | 12F | 13F | 10 | 11F | 12F | 13F | 10 | 11F | 12F | 13F |
| N. & L. | 6.1 | 4.4 | 2.8 | 3.1 | 3.4 | 2.8 | 1.2 | 2.0 | 14.4 | 12.6 | 11.9 | 11.0 | 3.6 | 3.5 | 3.3 | 3.5 | 4.6 | 4.8 | 4.0 | 4.9 | 2.4 | 3.3 | 2.0 | 2.4 |
| P.E.I. | 2.6 | 2.2 | 1.9 | 2.1 | 3.0 | 1.6 | 1.9 | 1.2 | 11.1 | 11.4 | 10.7 | 10.1 | 0.8 | 0.9 | 0.8 | 0.8 | 5.2 | 4.9 | 3.9 | 4.1 | 1.8 | 2.9 | 1.9 | 2.4 |
| N.S. | 1.9 | 1.3 | 1.6 | 3.5 | 0.2 | -0.1 | 1.1 | 1.8 | 9.3 | 9.0 | 8.7 | 8.3 | 4.3 | 4.6 | 4.0 | 4.6 | 4.6 | 3.0 | 3.8 | 4.4 | 2.2 | 3.8 | 1.9 | 2.4 |
| N.B. | 3.1 | 0.5 | 1.8 | 2.3 | -1.0 | -1.2 | 0.7 | 0.8 | 9.3 | 9.5 | 9.3 | 9.1 | 4.1 | 3.3 | 3.2 | 3.3 | 4.9 | 4.5 | 3.4 | 3.9 | 2.1 | 3.4 | 1.9 | 2.4 |
| QUE. | 2.5 | 1.4 | 1.8 | 1.9 | 1.7 | 1.1 | 0.3 | 1.3 | 8.0 | 7.7 | 7.6 | 7.4 | 51.4 | 48.4 | 44.5 | 42.5 | 6.3 | 1.9 | 4.0 | 3.8 | 1.3 | 2.9 | 1.5 | 2.2 |
| ONT. | 3.0 | 2.0 | 2.3 | 2.3 | 1.7 | 1.8 | 1.0 | 1.4 | 8.7 | 7.9 | 7.7 | 7.5 | 60.4 | 67.0 | 57.5 | 56.0 | 5.4 | 3.4 | 4.1 | 3.9 | 2.4 | 3.2 | 1.8 | 2.2 |
| MAN. | 2.4 | 2.5 | 3.2 | 3.0 | 1.9 | 0.7 | 0.9 | 1.3 | 5.4 | 5.4 | 5.3 | 5.0 | 5.9 | 5.6 | 5.5 | 5.7 | 5.6 | 4.3 | 4.8 | 4.7 | 0.8 | 2.8 | 1.6 | 2.3 |
| SASK. | 4.0 | 4.5 | 4.2 | 4.7 | 0.9 | 0.3 | 1.7 | 1.9 | 5.2 | 4.9 | 4.8 | 4.6 | 5.9 | 7.4 | 7.6 | 7.9 | 3.1 | 7.1 | 5.3 | 6.5 | 1.3 | 2.7 | 2.2 | 2.8 |
| ALTA. | 3.3 | 4.0 | 3.9 | 3.8 | -0.4 | 3.8 | 3.1 | 2.5 | 6.5 | 5.5 | 5.0 | 4.7 | 27.1 | 25.9 | 31.0 | 32.0 | 6.0 | 5.7 | 6.2 | 6.3 | 1.0 | 2.3 | 1.5 | 2.0 |
| B.C. | 3.0 | 2.1 | 2.3 | 2.5 | 1.7 | 0.8 | 1.3 | 1.5 | 7.6 | 7.5 | 6.9 | 6.8 | 26.5 | 26.6 | 27.8 | 27.0 | 5.3 | 1.8 | 4.3 | 4.4 | 1.4 | 2.4 | 1.5 | 1.5 |
| CANADA | 3.2 | 2.3 | 2.5 | 2.6 | 1.4 | 1.6 | 1.1 | 1.5 | 8.0 | 7.5 | 7.2 | 7.0 | 190 | 193 | 185 | 183 | 5.5 | 3.4 | 4.4 | 4.4 | 1.8 | 2.9 | 1.7 | 2.1 |

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, 2005-10, %) | 0.6 | 0.8 | 0.5 | 0.5 | 1.1 | 0.7 | 1.3 | 1.6 | 2.0 | 1.5 |
| Employment rate (Nov. 2011, %) | 52.3 | 60.6 | 58.2 | 56.6 | 59.5 | 61.3 | 65.2 | 65.3 | 70.4 | 60.2 |
| Discomfort index (inflation + unemp. rate, Oct. 2011) | 16.4 | 14.1 | 12.5 | 13.4 | 11.0 | 10.8 | 8.2 | 6.9 | 8.5 | 8.9 |
| 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 | 2011F | 2012F | 2013F |
|----------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | \$2002 millions | 159,729 | 164,496 | 165,641 | 162,225 | 167,140 | 170,650 | 174,575 | 178,939 |
| | % change | 4.1 | 3.0 | 0.7 | -2.1 | 3.0 | 2.1 | 2.3 | 2.5 |
| Employment | thousands | 2,147 | 2,223 | 2,266 | 2,218 | 2,257 | 2,274 | 2,304 | 2,339 |
| | % change | 2.6 | 3.5 | 2.0 | -2.1 | 1.7 | 0.8 | 1.3 | 1.5 |
| Unemployment rate | % | 4.8 | 4.3 | 4.6 | 7.7 | 7.6 | 7.5 | 6.9 | 6.8 |
| Retail sales | \$ millions | 53,133 | 56,930 | 57,783 | 55,222 | 58,145 | 59,202 | 61,720 | 64,447 |
| | % change | 7.6 | 7.1 | 1.5 | -4.4 | 5.3 | 1.8 | 4.3 | 4.4 |
| Housing starts | units | 36,443 | 39,195 | 34,321 | 16,077 | 26,479 | 26,600 | 27,800 | 27,000 |
| | % change | 5.1 | 7.6 | -12.4 | -53.2 | 64.7 | 0.5 | 4.5 | -2.9 |
| Consumer price index | 2002=100 | 108.1 | 110.0 | 112.3 | 112.3 | 113.8 | 116.5 | 118.3 | 120.1 |
| | % change | 1.7 | 1.7 | 2.1 | 0.0 | 1.4 | 2.4 | 1.5 | 1.5 |

Alberta

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | \$2002 millions | 180,852 | 184,008 | 185,668 | 177,376 | 183,251 | 190,581 | 198,014 | 205,538 |
| | % change | 5.8 | 1.7 | 0.9 | -4.5 | 3.3 | 4.0 | 3.9 | 3.8 |
| Employment | thousands | 1,916 | 1,991 | 2,054 | 2,025 | 2,017 | 2,093 | 2,157 | 2,212 |
| | % change | 5.0 | 3.9 | 3.1 | -1.4 | -0.4 | 3.8 | 3.1 | 2.5 |
| Unemployment rate | % | 3.4 | 3.5 | 3.6 | 6.6 | 6.5 | 5.5 | 5.0 | 4.7 |
| Retail sales | \$ millions | 55,972 | 61,487 | 61,614 | 56,478 | 59,856 | 63,297 | 67,205 | 71,444 |
| | % change | 15.4 | 9.9 | 0.2 | -8.3 | 6.0 | 5.7 | 6.2 | 6.3 |
| Housing starts | units | 48,962 | 48,336 | 29,164 | 20,298 | 27,088 | 25,900 | 31,000 | 32,000 |
| | % change | 19.9 | -1.3 | -39.7 | -30.4 | 33.5 | -4.4 | 19.7 | 3.2 |
| Consumer price index | 2002=100 | 112.3 | 117.9 | 121.6 | 121.5 | 122.7 | 125.5 | 127.3 | 129.9 |
| | % change | 3.9 | 4.9 | 3.2 | -0.1 | 1.0 | 2.3 | 1.5 | 2.0 |

Saskatchewan

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | \$2002 millions | 38,266 | 39,626 | 41,466 | 39,911 | 41,520 | 43,388 | 45,211 | 47,336 |
| | % change | -1.6 | 3.6 | 4.6 | -3.8 | 4.0 | 4.5 | 4.2 | 4.7 |
| Employment | thousands | 492 | 504 | 513 | 519 | 524 | 526 | 535 | 545 |
| | % change | 1.8 | 2.4 | 1.7 | 1.3 | 0.9 | 0.3 | 1.7 | 1.9 |
| Unemployment rate | % | 4.7 | 4.2 | 4.1 | 4.8 | 5.2 | 4.9 | 4.8 | 4.6 |
| Retail sales | \$ millions | 11,554 | 13,129 | 14,673 | 14,598 | 15,050 | 16,113 | 16,960 | 18,060 |
| | % change | 7.0 | 13.6 | 11.8 | -0.5 | 3.1 | 7.1 | 5.3 | 6.5 |
| Housing starts | units | 3,715 | 6,007 | 6,828 | 3,866 | 5,907 | 7,400 | 7,600 | 7,900 |
| | % change | 8.1 | 61.7 | 13.7 | -43.4 | 52.8 | 25.3 | 2.7 | 3.9 |
| Consumer price index | 2002=100 | 109.1 | 112.2 | 115.9 | 117.1 | 118.7 | 121.9 | 124.6 | 128.2 |
| | % change | 2.0 | 2.9 | 3.2 | 1.1 | 1.3 | 2.7 | 2.2 | 2.8 |

Manitoba

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | \$2002 millions | 40,181 | 41,263 | 42,838 | 42,705 | 43,746 | 44,840 | 46,275 | 47,663 |
| | % change | 3.4 | 2.7 | 3.8 | -0.3 | 2.4 | 2.5 | 3.2 | 3.0 |
| Employment | thousands | 589 | 599 | 608 | 608 | 620 | 624 | 630 | 638 |
| | % change | 1.2 | 1.7 | 1.7 | 0.0 | 1.9 | 0.7 | 0.9 | 1.3 |
| Unemployment rate | % | 4.3 | 4.4 | 4.2 | 5.2 | 5.4 | 5.4 | 5.3 | 5.0 |
| Retail sales | \$ millions | 12,874 | 14,016 | 14,980 | 14,915 | 15,752 | 16,422 | 17,209 | 18,010 |
| | % change | 4.1 | 8.9 | 6.9 | -0.4 | 5.6 | 4.3 | 4.8 | 4.7 |
| Housing starts | units | 5,028 | 5,738 | 5,537 | 4,174 | 5,888 | 5,600 | 5,500 | 5,700 |
| | % change | 6.3 | 14.1 | -3.5 | -24.6 | 41.1 | -4.9 | -1.8 | 3.6 |
| Consumer price index | 2002=100 | 108.7 | 110.9 | 113.4 | 114.1 | 115.0 | 118.3 | 120.1 | 122.9 |
| | % change | 1.9 | 2.1 | 2.2 | 0.6 | 0.8 | 2.8 | 1.6 | 2.3 |

Ontario

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | \$2002 millions | 522,998 | 533,233 | 529,828 | 512,685 | 527,813 | 538,369 | 550,752 | 563,419 |
| | % change | 2.4 | 2.0 | -0.6 | -3.2 | 3.0 | 2.0 | 2.3 | 2.3 |
| Employment | thousands | 6,449 | 6,564 | 6,666 | 6,502 | 6,610 | 6,730 | 6,796 | 6,889 |
| | % 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 | 7.9 | 7.7 | 7.5 |
| Retail sales | \$ millions | 140,591 | 145,965 | 151,672 | 147,920 | 155,889 | 161,241 | 167,849 | 174,333 |
| | % change | 4.0 | 3.8 | 3.9 | -2.5 | 5.4 | 3.4 | 4.1 | 3.9 |
| Housing starts | units | 73,417 | 68,123 | 75,076 | 50,370 | 60,433 | 67,000 | 57,500 | 56,000 |
| | % change | -6.8 | -7.2 | 10.2 | -32.9 | 20.0 | 10.9 | -14.2 | -2.6 |
| Consumer price index | 2002=100 | 108.8 | 110.8 | 113.3 | 113.7 | 116.5 | 120.2 | 122.4 | 125.0 |
| | % change | 1.8 | 1.8 | 2.3 | 0.4 | 2.4 | 3.2 | 1.8 | 2.2 |

Quebec

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|---------|---------|---------|---------|---------|---------|---------|---------|
| Real GDP | \$2002 millions | 260,033 | 265,585 | 269,083 | 267,290 | 273,856 | 277,690 | 282,688 | 288,059 |
| | % change | 1.8 | 2.1 | 1.3 | -0.7 | 2.5 | 1.4 | 1.8 | 1.9 |
| Employment | thousands | 3,743 | 3,834 | 3,880 | 3,848 | 3,915 | 3,958 | 3,970 | 4,022 |
| | % change | 1.1 | 2.4 | 1.2 | -0.8 | 1.7 | 1.1 | 0.3 | 1.3 |
| Unemployment rate | % | 8.1 | 7.2 | 7.2 | 8.5 | 8.0 | 7.7 | 7.6 | 7.4 |
| Retail sales | \$ millions | 86,505 | 90,406 | 94,806 | 93,740 | 99,631 | 101,530 | 105,635 | 109,644 |
| | % change | 4.9 | 4.5 | 4.9 | -1.1 | 6.3 | 1.9 | 4.0 | 3.8 |
| Housing starts | units | 47,877 | 48,553 | 47,901 | 43,403 | 51,363 | 48,400 | 44,500 | 42,500 |
| | % change | -6.0 | 1.4 | -1.3 | -9.4 | 18.3 | -5.8 | -8.1 | -4.5 |
| Consumer price index | 2002=100 | 108.7 | 110.4 | 112.7 | 113.4 | 114.8 | 118.1 | 120.0 | 122.6 |
| | % change | 1.7 | 1.6 | 2.1 | 0.6 | 1.3 | 2.9 | 1.5 | 2.2 |

Tables

New Brunswick

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | \$2002 millions | 23,174 | 23,439 | 23,583 | 23,484 | 24,216 | 24,337 | 24,775 | 25,345 |
| | % change | 2.4 | 1.1 | 0.6 | -0.4 | 3.1 | 0.5 | 1.8 | 2.3 |
| Employment | thousands | 350 | 357 | 359 | 360 | 356 | 352 | 354 | 357 |
| | % change | 1.0 | 1.9 | 0.6 | 0.1 | -1.0 | -1.2 | 0.7 | 0.8 |
| Unemployment rate | % | 8.7 | 7.5 | 8.5 | 8.8 | 9.3 | 9.5 | 9.3 | 9.1 |
| Retail sales | \$ millions | 8,858 | 9,407 | 10,018 | 10,093 | 10,592 | 11,068 | 11,449 | 11,897 |
| | % change | 6.2 | 6.2 | 6.5 | 0.7 | 4.9 | 4.5 | 3.4 | 3.9 |
| Housing starts | units | 4,085 | 4,242 | 4,274 | 3,521 | 4,101 | 3,300 | 3,200 | 3,300 |
| | % change | 3.2 | 3.8 | 0.8 | -17.6 | 16.5 | -19.5 | -3.0 | 3.1 |
| Consumer price index | 2002=100 | 109.2 | 111.3 | 113.2 | 113.5 | 115.9 | 119.9 | 122.3 | 125.2 |
| | % change | 1.7 | 1.9 | 1.7 | 0.3 | 2.1 | 3.4 | 1.9 | 2.4 |

Nova Scotia

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | \$2002 millions | 28,174 | 28,611 | 29,378 | 29,390 | 29,951 | 30,340 | 30,826 | 31,905 |
| | % change | 0.6 | 1.6 | 2.7 | 0.0 | 1.9 | 1.3 | 1.6 | 3.5 |
| Employment | thousands | 441 | 448 | 452 | 451 | 452 | 452 | 457 | 465 |
| | % 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 | 9.0 | 8.7 | 8.3 |
| Retail sales | \$ millions | 11,141 | 11,616 | 12,089 | 12,102 | 12,656 | 13,038 | 13,532 | 14,130 |
| | % change | 5.8 | 4.3 | 4.1 | 0.1 | 4.6 | 3.0 | 3.8 | 4.4 |
| Housing starts | units | 4,896 | 4,750 | 3,982 | 3,438 | 4,309 | 4,600 | 4,000 | 4,600 |
| | % change | 2.5 | -3.0 | -16.2 | -13.7 | 25.3 | 6.8 | -13.0 | 15.0 |
| Consumer price index | 2002=100 | 110.4 | 112.5 | 115.9 | 115.7 | 118.2 | 122.7 | 125.0 | 128.0 |
| | % change | 2.1 | 1.9 | 3.0 | -0.1 | 2.2 | 3.8 | 1.9 | 2.4 |

Prince Edward Island

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|-------|-------|-------|-------|-------|-------|-------|-------|
| Real GDP | \$2002 millions | 4,077 | 4,149 | 4,179 | 4,189 | 4,297 | 4,392 | 4,475 | 4,569 |
| | % change | 4.0 | 1.8 | 0.7 | 0.2 | 2.6 | 2.2 | 1.9 | 2.1 |
| Employment | thousands | 68 | 69 | 70 | 69 | 71 | 72 | 73 | 74 |
| | % change | 0.6 | 0.7 | 1.2 | -1.4 | 3.0 | 1.6 | 1.9 | 1.2 |
| Unemployment rate | % | 11.0 | 10.3 | 10.7 | 12.0 | 11.1 | 11.4 | 10.7 | 10.1 |
| Retail sales | \$ millions | 1,509 | 1,621 | 1,703 | 1,681 | 1,769 | 1,857 | 1,928 | 2,007 |
| | % change | 6.0 | 7.4 | 5.1 | -1.3 | 5.2 | 4.9 | 3.9 | 4.1 |
| Housing starts | units | 738 | 750 | 712 | 877 | 756 | 900 | 800 | 800 |
| | % change | -14.4 | 1.6 | -5.1 | 23.2 | -13.8 | 19.0 | -11.1 | 0.0 |
| Consumer price index | 2002=100 | 111.6 | 113.6 | 117.5 | 117.3 | 119.5 | 123.0 | 125.3 | 128.3 |
| | % change | 2.2 | 1.8 | 3.4 | -0.1 | 1.8 | 2.9 | 1.9 | 2.4 |

Newfoundland & Labrador

| | | 2006 | 2007 | 2008 | 2009 | 2010 | 2011F | 2012F | 2013F |
|----------------------|-----------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Real GDP | \$2002 millions | 18,129 | 19,791 | 19,712 | 17,930 | 19,027 | 19,864 | 20,420 | 21,053 |
| | % change | 3.0 | 9.2 | -0.4 | -9.0 | 6.1 | 4.4 | 2.8 | 3.1 |
| Employment | thousands | 215 | 216 | 219 | 212 | 219 | 225 | 228 | 233 |
| | % change | 0.8 | 0.8 | 1.1 | -3.0 | 3.4 | 2.8 | 1.2 | 2.0 |
| Unemployment rate | % | 14.7 | 13.5 | 13.2 | 15.5 | 14.4 | 12.6 | 11.9 | 11.0 |
| Retail sales | \$ millions | 6,012 | 6,528 | 7,009 | 7,120 | 7,449 | 7,804 | 8,115 | 8,511 |
| | % change | 3.2 | 8.6 | 7.4 | 1.6 | 4.6 | 4.8 | 4.0 | 4.9 |
| Housing starts | units | 2,234 | 2,649 | 3,261 | 3,057 | 3,606 | 3,500 | 3,300 | 3,500 |
| | % change | -10.6 | 18.6 | 23.1 | -6.3 | 18.0 | -2.9 | -5.7 | 6.1 |
| Consumer price index | 2002=100 | 109.5 | 111.1 | 114.3 | 114.6 | 117.4 | 121.3 | 123.7 | 126.6 |
| | % change | 1.8 | 1.4 | 2.9 | 0.3 | 2.4 | 3.3 | 2.0 | 2.4 |

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

@Registered trademark of Royal Bank of Canada.
©Royal Bank of Canada.