



BRITISH COLUMBIA POISED TO RECOVER FROM SHARP DOWNTURN IN 2009: RBC ECONOMICS

Strong demand for natural resources and staging the Winter Olympics should boost B.C. economy in 2010

TORONTO, December 14, 2009 — As British Columbia gets ready to host the 2010 Winter Olympic and Paralympic Games, the province's economy is preparing for a burst of economic activity, according to a new RBC Economics report.

"The Games should give a big boost to tourism, retail trade and a variety of other services that will help move B.C.'s economy into recovery mode in 2010," said Craig Wright, senior vice-president and chief economist, RBC. "This economic tonic could not come soon enough for B.C., which is ending 2009 with its worst performance since 1982."

Signs of a recovery have been emerging in recent months, with retail sales and housing starts trending higher since the spring. A stunning rally in existing home sales, boosted by low mortgage rates, helped the B.C. resale market fully recover in October. Employment also picked up in the fall, although the unemployment rate remained elevated.

The *RBC Economics Provincial Outlook* forecasts that B.C.'s key forest products sector should finally begin to move out of its deep slump in 2010, as U.S. demand for building products rises. Stronger global demand for metals and coal, as well as further development of natural gas fields in the province, should contribute to increased exports. The RBC report projects that the B.C. economy will grow by a solid 3.2 per cent in 2010, second only to Saskatchewan in terms of growth rates among the provinces next year, before moving higher to 3.4 per cent in 2011.

The main theme of the *RBC Economics Provincial Outlook* is that a mild economic recovery is expected to be widespread among provinces in 2010, after a significant contraction spread across the country in 2009 (with only Manitoba and Nova Scotia barely avoiding a decline in activity). The full force of fiscal and monetary

stimulus should positively contribute to growth in 2010. The price tag for that stimulus however, will be huge budget deficits. While such deficits might cause some discomfort, the alternative was even less attractive given the severity of the economic downturn. Returning to balance over the medium-term will be a challenge involving difficult choices. Provincial economies are expected to be in solid growth territory in 2011, with most western provinces – led by Saskatchewan – benefiting from strengthening commodity prices and hitting higher growth rates than the 3.9 per cent national average. The exception will be B.C., where the boost from the Olympics will not be repeated.

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

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

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