



ONTARIO'S ECONOMY POISED FOR A BETTER YEAR IN 2010: RBC ECONOMICS

TORONTO, December 14, 2009 — After a difficult year, Ontario's economy is expected to return to growth in 2010, according to a new report by RBC Economics. The report indicated that Ontario's economy will show a contraction of -3.2 per cent in 2009, which will be followed by projected growth of 2.4 per cent in 2010, before accelerating to 4.0 per cent in 2011.

"The tide is starting to turn for Ontario's economy with positive growth returning to the province," said Craig Wright, senior vice-president and chief economist, RBC. "While the pace of Ontario's recovery will be restrained in the early part of 2010, rising U.S. demand, along with stimulus measures and low interest rates should result in sustained growth over the next year."

Employment in Ontario is expected to grow moderately by 1.1 per cent in 2010 before rising to 2.5 per cent in 2011. The report indicated that the U.S. "cash for clunkers" program has reignited the automotive sector, which is expected to improve further over the next year.

Increased motor vehicle sales in Ontario are expected to drive gains in retail sales, which should rise to 3.8 per cent in 2010 and 5.6 per cent in 2011, after contracting -2.7 per cent in 2009. Provincial stimulus spending will also run at a fast clip in 2010, which should boost non-residential construction.

"The price of fiscal stimulus will be large government deficits in Ontario. The task of balancing the provincial books over the next five to six years will be challenging and will require some element of fiscal restraint once the economy is back on track," added Wright. "The implementation of the Harmonized Sales Tax (HST) should improve the competitiveness of Ontario by lowering the cost of doing business in the province."

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 the Prairie provinces – led by Saskatchewan –benefitting from strengthening commodity prices and hitting higher growth rates than the 3.9 per cent national average.

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/provcst.pdf.

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