

## **ALBERTA'S RED HOT ECONOMY EXPECTED TO SLOW, SAYS RBC ECONOMICS**

**TORONTO, June 22, 2007** — While Alberta's economy outperformed the country last year, with growth more than double the national rate, its economy is expected to cool to 4.6 and 4 per cent in 2007 and 2008 respectively, according to a provincial economic outlook released today by RBC.

“Strong fundamentals have been driving Alberta's economy for the past year with annual wage growth tracking at five per cent, unemployment hovering near three per cent and strong net provincial migration,” says Craig Wright, vice-president and chief economist, RBC. “However, looking ahead there are several factors that will contribute to a relative cooling of this red hot economy.”

Record levels of inter-provincial migration have allowed for a rapidly expanding workforce to meet growing demand, according to RBC. As a result, this influx has caught housing supply off guard, triggering a significant erosion of housing affordability. The sudden drop in affordability will dampen demand and limit price growth for the housing market in the upcoming year.

Capacity pressures and labour shortages have also meant much higher costs for both businesses and consumers. Inflation is running above five per cent, new house prices continue to grow between 20 and 30 per cent annually, and non-residential building construction prices rose 20 per cent year-over-year in both Calgary and Edmonton. Major cost escalations and over-runs, combined with a rising interest rate environment, will deter some projects from going forward and hopefully stabilize future demand.

“In addition, oil and gas drilling has already started to top out and overall drilling activity is expected to drop by about 20 per cent in 2007,” noted Wright.

Across Canada, Newfoundland and Labrador will be the provincial growth leader in 2007 at 7.5 per cent before experiencing a dramatic pull back next year, shifting the spotlight back onto the more sustainable growth in Western Canada. Prince Edward Island and Ontario will be at the back of the pack, each with growth rates just shy of two per cent this year.

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

According to the report (available online as of 8 a.m. E.D.T., at [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf)), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			CPI		
	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08
	Thousands														
NFLD.	2.8	7.5	0.5	2.2	2.0	1.8	2.9	5.5	2.0	0.7	1.2	0.1	1.8	2.0	1.4
P.E.I.	2.0	1.9	1.7	0.7	0.6	0.6	4.1	4.5	3.7	0.6	0.8	0.4	2.3	1.5	1.7
N.S.	1.1	2.4	2.3	4.9	4.5	4.4	6.3	3.1	3.3	-0.3	1.1	0.3	2.0	1.4	1.3
N.B.	2.6	2.5	2.6	4.1	3.8	3.7	5.5	3.9	4.0	1.4	0.8	0.4	1.7	1.5	1.4
QUE.	1.7	2.1	2.6	47.9	42.1	39.6	4.5	4.7	4.8	1.3	2.0	0.9	1.7	2.3	1.8
ONT.	1.9	1.9	2.7	73.4	63.9	60.0	4.0	3.5	4.9	1.5	1.3	1.0	1.8	2.1	2.1
MAN.	3.3	3.0	3.2	5.0	5.3	4.4	5.8	6.1	6.0	1.2	1.1	0.9	2.0	2.3	2.5
SASK.	0.4	4.0	3.6	3.7	4.6	3.9	5.9	7.4	6.0	1.7	3.0	1.0	2.1	3.5	2.8
ALTA.	6.8	4.6	4.0	49.0	44.8	39.9	16.0	9.3	8.5	4.8	4.2	2.0	3.9	5.2	3.5
B.C.	3.6	3.2	3.3	36.4	35.3	31.1	6.2	6.0	5.8	3.1	3.0	1.9	1.7	2.2	2.3
CANADA	2.8	2.6	2.9	228	208	190	6.2	5.2	5.2	2.0	2.0	1.2	2.0	2.4	2.2

**For more information contact:**

Craig Wright, RBC Economics, (416) 974-7457

Derek Holt, RBC Economics, (416) 974-6192

Jackie Braden, RBC Media Relations, (416) 974-2124