

BRITISH COLUMBIA'S ECONOMIC GROWTH REMAINS HEALTHY FOR NOW, SAYS RBC ECONOMICS

B.C.'s economy is humming along, but amidst mounting risks

TORONTO, June 22, 2007 — Despite the emergence of downward risks, British Columbia's economy should still see expected growth of about 3.25 per cent in 2007 and 2008. This is according to a provincial economic outlook released today by RBC.

"B.C. has enough diversified sources of strength to keep growth humming along this year but the shine on the province's economy has become somewhat duller," said Craig Wright, vice-president and chief economist, RBC. "Of particular concern is the forestry sector which is experiencing a cooling trend in response to weaker U.S. housing markets."

RBC notes that after a robust decade to date, the vital softwood lumber industry may be at a turning point, with sawn lumber production down almost nine per cent in the last year and weaker softwood lumber prices. Furthermore, B.C.'s hot housing markets are still performing well, but not as well as last year. Average house price gains are still running at a respectable 10 per cent, but this is half the pace at which gains were noted a year ago. The main risks to economic growth include non-residential construction, which has cooled from the hot pace of the past three years, manufacturing shipments that are slipping in line with weaker U.S. markets, and the steep appreciation in the Canadian dollar.

On a positive note, RBC said natural gas production in the northeast is running higher than a year ago and consumer spending continues at a healthy pace due to strong labour markets. In addition, fiscal surpluses still portray healthy government finances.

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.

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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), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			CPI		
	Thousands														
	06	07	08	06	07	08	06	07	08	06	07	08	06	07	08
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