

## **ONTARIO'S ECONOMY WEAKENS AGAINST STRONG CANADIAN DOLLAR: RBC ECONOMICS**

**TORONTO, June 22, 2007** — A sharply stronger Canadian dollar is expected to continue to pressure Ontario's economy with solid growth not expected until 2009, according to a new provincial forecast released today by RBC.

"With a provincial election looming and a supercharged Canadian dollar, Ontario's economy and growth prospects face some major challenges over the coming quarters," said Craig Wright, vice-president and chief economist, RBC. "We have revised our forecast downward as a recovery is now further down the road than previously expected and we see modest growth of only 1.9 per cent this year and 2.7 per cent in 2008."

RBC said a weak U.S. housing market, a strong Canadian dollar, and a crushing corporate tax burden are challenging the province's struggling manufacturing sector, which accounts for one-in-five dollars of economic activity in Ontario. Northern Ontario's beleaguered lumber, pulp and paper mills also face further painful adjustments. Net trade is likely to soften as exports suffer and imports benefit from the dollar's greater purchasing power. The province's net trade surplus has dropped from \$55 billion in 2001 to \$28.9 billion in 2006, and will likely head even lower.

However, by 2009, Ontario should start to see some economic relief as auto production is expected to rise 14 per cent with new Japanese-owned automotive assembly plants coming online. A strong services sector, improved government finances, increased mining activity in the north and better agricultural prospects should combine to help boost the province's outlook down the road.

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		
	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

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