



NEWS

ALBERTA'S ECONOMY SUPPORTED BY SURGE IN OIL PRODUCTION, SAYS RBC ECONOMICS

TORONTO, October 12, 2007 — Alberta will remain among the growth leaders from 2007 until 2009 notwithstanding uncertainty in the energy patch, according to a provincial economic outlook released today by RBC.

“Alberta remains perhaps the most outstanding example of the key reasons why the Canadian economy is marching to the beat of its own drummer and, as a result, we have revised upward our growth forecast for Alberta’s economy to 4.5 per cent in 2008,” said Craig Wright, vice-president and chief economist, RBC. “Higher oil prices for a longer-than-anticipated period and strong agricultural conditions are the major factors behind our positive outlook.”

The RBC forecast notes that Alberta’s housing markets are the most robust in Canada, and take-up rates on new extended-amortization mortgage products are the highest in the country. An exceptionally strong housing market, coupled with a solid fiscal position should help catapult the province as the country’s growth leader in 2008, placing it significantly ahead of its nearest rival — Saskatchewan — on most indicators.

However, there are several sectors that are near their peaks. Despite its strength, the housing market is showing evidence of cooling as a result of modest declines in sales-to-listings ratios and softer house price gains in recent months. Likewise, the provincial government’s surplus position has softened as natural gas royalties have cooled off from their 2005 and 2006 peaks. The additional boost to consumer spending in 2006 as a result of the prosperity bonus cheques was only temporary, and while retail sales growth remains strong, they are past their 2006 peak.

According to the report, caution is warranted for Alberta’s energy sector. Oil prices are poised to drop while natural gas prices are already low and discouraging further drilling. Changes in the tax treatment of the energy sector, the possibility of higher royalties, and the risk of federally imposed carbon taxes also represent modest downside risks to the investment and growth picture in an environment of a strong Canadian dollar and mounting cost pressures.

Across the provinces, Newfoundland and Labrador is expected to be the growth leader this year, with Alberta moving into the lead in 2008, rivaled only by Saskatchewan. Manitoba’s steady growth and inflation rates will keep it in the middle of the western provincial pack, and B.C.’s growth rate will move slightly downward. RBC’s forecast for Ontario’s economy has been revised downward to the bottom of the pack among all the provinces. Quebec should fare somewhat better than Ontario next year,

until currency depreciation, lower energy prices, improvements in the U.S. economy, and capital spending lift central Canada's manufacturers and exporters. While P.E.I.'s growth prospects are modest, Nova Scotia and New Brunswick are well-positioned for better long-run growth as a result of renewed prospects for several large-scale capital projects.

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		
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09
	Thousands														
NFLD.	7.5	0.5	1.0	2.4	2.1	1.8	9.5	6.0	2.0	0.8	0.1	0.3	1.3	1.4	1.2
P.E.I.	1.9	1.8	1.4	0.6	0.6	0.5	9.0	4.5	3.7	1.3	0.4	0.2	1.5	1.7	1.6
N.S.	2.4	3.1	3.5	4.7	4.4	4.0	3.8	4.9	6.5	1.3	1.2	2.0	1.7	1.3	2.0
N.B.	2.5	2.8	2.6	4.1	3.8	3.4	5.6	4.5	4.0	2.0	0.8	0.9	1.8	1.4	1.6
QUE.	2.1	2.3	2.4	51.5	47.9	42.6	5.0	4.5	4.0	1.9	0.9	0.8	1.9	1.6	1.5
ONT.	1.9	1.8	2.5	68.6	66.5	60.5	3.6	4.0	4.5	1.4	0.9	1.0	2.0	1.8	1.7
MAN.	3.4	3.0	2.5	5.8	5.4	4.7	8.7	5.7	3.0	1.4	1.0	0.4	2.4	2.1	1.8
SASK.	4.8	4.3	3.2	5.8	4.8	3.5	12.5	9.5	6.0	2.4	1.0	0.8	3.0	3.0	2.3
ALTA.	5.0	4.5	3.0	48.5	41.2	35.0	10.5	9.8	8.5	4.9	2.0	1.8	5.4	3.3	2.8
B.C.	3.1	2.9	2.8	37.2	32.3	26.8	7.2	6.3	8.0	3.2	1.9	2.6	2.1	2.1	2.5
CANADA	2.7	2.5	2.6	230	210	184	6.0	5.6	5.5	2.2	1.2	1.2	2.3	2.0	1.9

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