



NEWS

QUEBEC'S MODEST GROWTH TO OUTPACE ONTARIO'S, SAYS RBC

MONTREAL, October 12, 2007 — Quebec's economy is expected to slow with growth of only 2.1 per cent in 2007 and 2.3 per cent in 2008, according to the latest provincial economic outlook released today by RBC.

"We have modestly downgraded our growth forecast for Quebec, however, we expect the pace of growth to be a touch faster than 2006," said Craig Wright, vice-president and chief economist, RBC. "Quebec remains under pressure as the Canadian dollar sits near parity with the U.S. dollar, oil prices continue to hit new highs and competition from overseas remains firm."

According to the report, Quebec's manufacturing sector continues to shed jobs with 120,000 lost since 2003. The largest and steepest declines for manufacturers occurred between 2003 and 2006. In 2007, the pace of job losses is tentatively showing signs of stabilization.

On a positive note, the \$1.8 billion retroactive pay equity payout to public sector employees coupled with solid job gains this year, have provided good support to Quebec's domestic economy and a lift to the retail sector in the second quarter of 2007. RBC forecasts modestly increased growth as big ticket capital spending shifts into higher gear by 2009.

RBC notes that Quebec's manufacturing base has been faring better than its Ontario counterpart. In particular, Quebec's exposure to motor vehicle manufacturing is minimal, while it has significant exposure to the expanding aerospace sector. Aerospace shipments, though volatile, were up roughly 11 per cent this year compared to a year ago.

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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