



NEWS

ONTARIO ECONOMY TO CONTINUE TO STRUGGLE: RBC ECONOMICS

TORONTO, January 11, 2008 — According to the latest provincial forecast released today by RBC, Ontario's economy will continue to struggle with a beleaguered manufacturing sector and elevated currency issues dragging growth to 1.4 per cent in 2008.

"The most serious downsides to Ontario's economy will continue to stick for some time, yet we do see economic growth improving by a full percentage point in 2009," said Craig Wright, senior vice-president and chief economist, RBC. "While a recession is not impossible, we believe that the province can avoid one despite a growing list of worries."

Numerous factors weighing down the province's economy include: an elevated Canadian dollar that is hammering away at manufacturers' export competitiveness; negative exposure to weak U.S. housing and automotive markets; strong competition from Asian manufactured goods; weak growth in machinery and equipment investment despite capital cheapening influences of a strong currency; and a continued downward trend in new home construction since the 2003 peak.

However, the report notes that forecasted currency depreciation, a modest weakening in commodity prices, and acceleration in U.S. growth later this year should help boost Ontario's economy in 2008. Auto production should also grow in late 2008 and into 2009 as U.S. demand stabilizes, a new assembly plant swings into production, and new models are introduced. A reasonably vibrant services sector, strength in the tech sector, job growth and healthy consumer spending will also help bridge the gap.

"Modest fiscal stimulus announced in the fall 2007 provincial budget is welcome news, especially regarding taxes," said Wright. "However, federal-provincial cooperation is still needed to achieve sales tax harmony. Ontario's lack of tax competitiveness is a major concern as, unlike B.C., it still applies the provincial sales tax to capital goods."

Across Canada, Alberta leads all provinces with above-average economic growth, followed by Saskatchewan and Nova Scotia. On the opposite end of the scale, and showing a complete turnabout with its mega-projects now in maturation, Newfoundland

and Labrador is posting the slowest economic growth rate of 0.5 per cent, and on its heels is P.E.I., as well as Quebec and Ontario with its manufacturing woes. However, a more bullish outlook is in store by the end of this decade for Newfoundland and Labrador, New Brunswick, Nova Scotia and, in particular, Saskatchewan, where there is a possibility for a triple play of diamond mining, rich uranium deposits and a massive oil strike in the southeastern part of the province.

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.S.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.	9.0	0.5	1.0	2.5	2.2	1.9	10.0	6.0	2.0	0.7	0.1	0.3	1.5	1.0	1.2
P.E.I.	1.9	1.2	1.4	0.7	0.6	0.5	9.1	4.5	3.7	1.3	0.4	0.2	1.8	1.3	1.6
N.S.	2.4	3.0	3.5	4.8	4.5	4.1	4.4	4.9	6.5	1.3	1.8	2.0	1.9	1.1	2.0
N.B.	2.5	2.5	2.6	4.1	3.8	3.4	6.7	4.5	4.0	1.9	1.7	0.9	2.0	1.2	1.6
QUE.	1.9	1.7	2.5	49.4	46.9	40.4	4.4	4.0	4.1	2.2	1.2	0.9	1.6	1.1	1.6
ONT.	1.7	1.4	2.6	68.1	66.2	60.2	3.9	3.5	4.7	1.6	1.0	1.1	1.9	1.0	1.7
MAN.	3.4	3.1	2.5	5.7	5.7	5.0	9.0	5.3	3.4	1.5	1.2	1.5	2.2	1.7	1.6
SASK.	4.6	3.8	3.3	5.9	6.1	4.5	12.2	8.5	6.5	2.3	1.6	0.8	3.0	2.4	2.4
ALTA.	4.3	3.9	3.2	48.3	38.6	35.2	9.7	9.0	8.2	4.8	2.0	1.8	5.1	2.9	2.6
B.C.	3.0	2.5	3.0	38.6	35.2	28.5	7.1	6.0	7.5	3.2	1.9	2.6	1.8	1.4	2.2
CANADA	2.6	2.1	2.7	228	210	184	5.9	5.1	5.5	2.3	1.3	1.4	2.1	1.4	1.9

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