NEWS

BRITISH COLUMBIA'S EXPOSURE TO ASIA HELPS OFFSET U.S. WEAKNESS, SAYS RBC

TORONTO, April 3, 2008 — British Columbia's economic growth is expected to come in at 2.3 per cent in 2008 and 2.9 per cent in 2009, as the lead-up to Vancouver's 2010 Olympic and Paralympic Winter Games stimulates near-term growth via strong capital spending, increased tourism and retail sector gains, according to a provincial economic outlook released today by RBC.

"Relative to other provinces, British Columbia has the lowest exposure to U.S. demand and the highest exposure to demand from Asian markets," said Craig Wright, senior vice-president and chief economist, RBC. "This diversification of exports offers the province some protection against a slowing U.S. economy, but in no way provides immunity to the U.S. ailment."

B.C. has the lowest exposure to U.S. demand (60 per cent of B.C.'s exports) and the highest exposure to demand from Asia (27 per cent of B.C.'s exports).

According to the report, the threat to B.C.'s economy is most evident in the forestry sector, which remains an area of concern as exports are down sharply – particularly to the U.S. The sector is being squeezed by lumber prices, which are down 40 per cent from two years ago, a strong Canadian dollar, and the downturn in the U.S. housing market. This triple hit has forced many lumber mills to scale-back or close operations across the province. The lingering threat of pine-beetle devastation across forests also remains an added concern, with cold winter temperatures containing, but not eliminating, the infection.

On a positive note, the provincial government is approaching budget season with a more cautious tone this year as fiscal coffers, albeit healthy, are not as rich as they have been over the last few years. B.C. launched a revenue neutral carbon tax as the cornerstone of this year's environmentally focused budget. The tax is expected to generate about $1.8 billion in revenues over three years with a pledge to return these funds to taxpayers through tax cuts for businesses and individuals. Budget surpluses are forecast through to 2011, with over $2 billion in cumulative reserves built in to provide a buffer against potential risks to B.C.'s economy.

The growth gap between the commodity-rich Western provinces and manufacturing-heavy Central Canada is expected to persist in 2008. Across Canada, Saskatchewan is expected to be the top growth performer this year as its economy benefits from strength in energy, mining, and agriculture sectors. Conversely, Newfoundland and Labrador should be the laggard as waning oil production weighs on its growth. The strong Canadian dollar and softer U.S. demand for exports continue to weaken manufacturing sectors across the country. Ontario's weak trade sector will see the province teeter on the brink of recession through 2008, but it should pick-up in 2009 to coincide with a recovering U.S. economy.

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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 Thousands			Retail sales			Employment			CPI		
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09
NFLD.	9.0	0.5	1.0	2.6	2.5	2.0	9.5	5.5	2.0	0.6	0.2	0.3	1.5	1.0	1.3
P.E.I	1.9	1.2	1.4	0.8	0.7	0.6	8.2	4.4	3.7	1.0	0.5	0.2	1.8	1.3	1.6
N.S.	2.4	2.5	2.8	4.8	4.6	4.0	4.0	4.7	6.5	1.3	2.0	2.0	1.9	1.1	2.0
N.B.	2.5	2.4	2.5	4.2	4.0	3.4	6.2	4.4	4.0	2.1	1.9	0.9	1.9	1.2	1.7
QUE.	2.1	1.1	2.2	48.6	47.1	40.0	4.4	4.1	4.4	2.3	1.1	1.1	1.6	1.2	1.8
ONT.	1.8	0.8	1.9	68.1	66.8	59.4	3.9	3.8	4.5	1.6	0.9	1.0	1.8	1.4	1.8
MAN.	3.5	2.8	2.9	5.7	5.6	4.5	9.5	8.1	7.6	1.6	2.1	1.7	2.0	1.8	2.1
SASK.	4.6	3.6	3.2	6.0	6.1	4.5	12.7	9.0	8.0	2.1	2.4	1.9	2.8	3.3	2.9
ALTA.	4.3	3.3	3.0	48.3	41.6	35.3	9.0	7.4	7.0	4.7	2.2	1.8	5.0	2.9	2.8
B.C.	3.1	2.3	2.8	39.2	37.2	30.5	7.1	6.2	7.5	3.2	2.0	2.2	1.8	1.1	1.6
CANADA	2.7	1.6	2.3	228	216	184	5.8	5.1	5.5	2.3	1.4	1.4	2.1	1.4	1.9

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