



RBC SAYS ONTARIO ECONOMY ON THE CUSP OF A RECESSION

TORONTO, April 3, 2008 — According to the latest provincial forecast released today by RBC, the heavy drag from Ontario's trade sector will see the province teeter on the brink of recession, delivering sub-1 per cent growth for 2008, followed by a modest improvement of 1.9 per cent for 2009.

"The nationwide hit to Canada's exports will disproportionately affect Ontario because of both its heavy reliance on U.S. demand for its products as well as the unfavourable composition of those exports that are largely focused on automotive and forestry sector goods," said Craig Wright, senior vice-president and chief economist, RBC. "Ontario's exports to the U.S. account for roughly 84 per cent of total exports and about 40 per cent of provincial GDP."

The Ontario government tabled a balanced budget last month but highlighted a number of growing risks to key revenue drivers. Significant year-end expenditures prevented any meaningful and much-needed tax relief. The budget is expected to remain balanced through to 2011 with \$3 billion in cumulative reserves to provide a buffer against downside risks to the province's economic growth.

The province's labour markets are also showing signs of a slowdown and are perhaps not as resilient as previously thought. The public sector has been holding up the labour market, while the private sector continues to cut back with declines in key sectors including forestry, agriculture, manufacturing, finance, insurance and real estate. Some slack emerging in the labour market confirms that the province is gearing down as companies trim their operations.

However, according to the report, any economic slowdown should be short-lived as there are enough positive drivers to help push Ontario's economy through these tough times.

"Real estate markets are healthy, real wages are continuing to rise and a big dose of interest rate stimulus should provide a boost to the economy through 2008," noted Wright.

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.

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.	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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