



NEWS

RBC SEES QUEBEC'S ECONOMY MARGINALLY OUTPACING ONTARIO

TORONTO, July 3, 2008 — According to the latest provincial economic outlook released today by RBC, Quebec's economy is forecast to move at a slow pace this year with growth of just one per cent, ahead of only Ontario and Newfoundland and Labrador but is expected to pick up the pace slightly in 2009, helped by a rebounding U.S. economy.

"Along with Ontario, Quebec is the other main provincial victim of the storm hitting Canada's manufacturing exports," said Craig Wright, senior vice-president and chief economist, RBC. "Fortunately, good market conditions in the mining and metals, and aerospace industries – both key exporters in the province – are offsetting some of the negative impact."

Unlike Ontario, Quebec's economy is less exposed to the auto sector's woes, but the report noted that the province's forest products sector is in crisis largely due to the collapse of the U.S. housing market. Non-residential construction will see a boost thanks to a myriad of infrastructure projects in healthcare, education, transportation, energy and mining and metals sectors, which is expected to more than compensate for the softening in home building activity. These construction projects will also be supplemented by an expected increase in spending on machinery and equipment, as Quebec firms take advantage of new fiscal incentives and strive to boost productivity.

Consumer spending is expected to remain firm, sustained by rising household incomes. While unlikely to repeat the strong performance of 2007, job growth should continue to do well thanks to vigour in the services sector.

The main theme of the Provincial Outlook continues to be the different paths the Eastern and Western parts of the country are taking. Record-high commodity prices and strong global demand for resources sustain unprecedented prosperity in the Western provinces, while the strong Canadian dollar, downturn in the U.S. economy and high energy prices continue to cause hardship in key sectors in provinces east of Manitoba. Saskatchewan is projected to lead all of the provinces in economic growth for both 2008 and 2009, followed by Alberta, while Newfoundland and Labrador and Ontario are expected to lag the group this year, but should show some improvement next year.

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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			Retail sales			Employment			CPI		
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09
	Thousands														
NFLD.	9.1	0.2	1.3	2.6	2.6	2.0	8.9	6.0	2.0	0.6	2.0	0.5	1.5	2.5	1.4
P.E.I.	2.0	1.2	1.6	0.8	0.7	0.6	7.7	4.5	3.7	1.0	1.3	0.3	1.8	3.2	1.5
N.S.	1.6	2.0	2.4	4.8	4.7	4.0	4.2	5.5	4.5	1.3	1.0	1.9	1.9	3.0	1.6
N.B.	1.6	2.0	2.5	4.2	4.2	3.4	5.7	4.6	4.0	2.1	1.6	1.0	1.9	1.8	1.5
QUE.	2.4	1.0	2.3	48.6	47.1	40.0	4.6	4.3	4.4	2.3	1.4	1.3	1.6	2.2	1.4
ONT.	2.1	0.7	2.2	68.1	68.7	59.3	3.9	4.4	4.5	1.6	1.5	1.3	1.8	2.0	1.5
MAN.	3.3	2.7	2.7	5.7	5.9	4.5	8.8	8.5	7.0	1.6	2.1	1.7	2.0	2.0	1.5
SASK.	2.8	3.7	3.8	6.0	6.6	4.5	13.0	12.0	11.0	2.1	2.4	2.3	2.8	3.4	2.6
ALTA.	3.3	3.1	3.0	48.3	38.3	35.1	9.3	4.5	7.0	4.7	3.0	2.1	5.0	3.3	2.5
B.C.	3.1	2.2	2.9	39.2	37.2	30.5	6.7	4.5	7.5	3.2	2.6	2.5	1.8	2.0	1.5
CANADA	2.7	1.4	2.5	228	216	184	5.8	5.2	5.6	2.3	1.9	1.6	2.1	2.3	1.6

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