



NEWS

SASKATCHEWAN TO REMAIN CANADA'S ECONOMIC GROWTH LEADER FOR NEXT TWO YEARS, SAYS RBC ECONOMICS

TORONTO, July 3, 2008 — According to the latest provincial economic outlook released today by RBC, strong commodity exports will pump up Saskatchewan's economy over the next two years, with growth expected to be 3.7 per cent for 2008, rising to 3.8 per cent in 2009.

“Reaping the benefits of the positive terms of trade shock currently playing out in the Canadian economy, the province is in the fortunate position that virtually all of its major commodity exports – oil, grain, uranium and potash – are recording historically high prices,” said Craig Wright, senior vice-president and chief economist, RBC. “This boost to the economy will help Saskatchewan lead growth among all the provinces for the next couple of years.”

Saskatchewan's nominal exports are on a tear, running at a 40 per cent growth rate over the first four months of 2008, more than double the rate posted for 2007. This largely reflects higher commodity prices, which in turn are helping to boost household incomes and consumer spending. The province's retail sales are 15 per cent higher on a year-to-date basis, the strongest pace on record since the early 1990s. The positive impact of the terms of trade shock is also being supplemented domestically by the one percentage point cut to the GST earlier this year, ongoing job growth and the surge in migration to the province. While a robust job market and wave of new residents will continue to support residential investment, a deterioration in housing affordability will likely dampen activity in 2009.

Another benefit of the commodity boom is strong investment by businesses over the next few years. Sizeable projects to further develop energy, potash and uranium resources will boost near-term capital spending. Saskatchewan's economic outlook in the medium term looks equally promising with the development of various oil reserves, such as Bakken field in the southeastern corner of the province.

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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