



NEWS

RBC SAYS MOMENTUM IN BRITISH COLUMBIA'S ECONOMY STARTING TO SLIP

TORONTO, October 8, 2008 — According to the latest provincial economic outlook released today by RBC, weakening trends in key sectors of the domestic economy will slow British Columbia's economic growth to 1.2 per cent in 2008 and allow for just a moderate re-acceleration to 2.1 per cent in 2009.

"If the housing market is a gauge of the economic situation, then conditions in B.C. appear to be slipping fast," said Craig Wright, senior vice-president and chief economist, RBC. "While this slippage in the housing sector is not symptomatic of a generalized weakening across the province's other key economic indicators, it is consistent with a less rosy economic picture for the next several months."

Housing resale activity has plunged, reaching its lowest levels since 2001. At the same time, a surge in supply has significantly dampened house prices, which have even started to decline in Vancouver. Looking at the recent low sales-to-listing ratio, prices could well deteriorate further. Since its peak late last year, new home construction has also trended lower and is not expected to improve quickly as the market absorbs newly completed units.

Unless the U.S. housing environment stages a surprising turnaround, the deep slump in the forest products sector will persist through next year. As a result, external trade will remain under intense downward pressure. Exports are down modestly year-to-date on a nominal basis but the decline in volume is likely much steeper given the price increases of several key commodities like lumber, pulp, newsprint and coal. Job creation has virtually stalled since the spring and consumer spending is showing signs of weakness with growth in retail sales slowing significantly.

- more -

Nonetheless, British Columbia's economy continues to be firmly supported by investment spending both in the private and public sectors. In particular, development of natural gas opportunities and infrastructure building ahead of the 2010 Olympic Winter Games will remain catalysts for growth going into 2009.

The outlook for provinces has generally darkened as a result of the recent dramatic turn in the year-long financial market crisis. The U.S. economy now appears to be in recession with Europe, the U.K. and Japan also sinking fast. While Canada is in better position with its financial sector less heavily impaired, overall growth will be substantially weaker than previously anticipated.

Among the provinces, Saskatchewan will lead the way this year and next in terms of economic growth, with Manitoba closely behind. The Atlantic region is expected to display continued resilience and should sustain a moderate pace of expansion for the most part. Conditions in the most western part of the country are on a deteriorating path. Eroding housing situations and rapidly slowing growth in consumer spending have prompted downward revisions to the forecasts for British Columbia and Alberta. With weak external trade continuing to exert a toll, cracks have appeared in the domestic foundations of Ontario and Quebec. Ontario will likely see its growth evaporate.

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 | | |
|--------|-----------|-----------|-----------|-----------------------------|-----------|-----------|--------------|-----------|-----------|------------|-----------|-----------|-----------|-----------|-----------|
| | <u>07</u> | <u>08</u> | <u>09</u> | <u>07</u> | <u>08</u> | <u>09</u> | <u>07</u> | <u>08</u> | <u>09</u> | <u>07</u> | <u>08</u> | <u>09</u> | <u>07</u> | <u>08</u> | <u>09</u> |
| NFLD. | 9.1 | 0.2 | 1.3 | 2.6 | 2.8 | 3.0 | 9.0 | 8.0 | 4.0 | 0.7 | 2.0 | 0.6 | 1.4 | 3.1 | 2.1 |
| P.E.I. | 2.0 | 1.9 | 1.4 | 0.8 | 0.7 | 0.5 | 7.7 | 5.5 | 3.5 | 1.1 | 1.7 | 0.5 | 1.8 | 3.8 | 2.4 |
| N.S. | 1.6 | 2.0 | 2.0 | 4.8 | 4.2 | 3.2 | 4.2 | 5.5 | 4.0 | 1.3 | 1.1 | 0.9 | 1.9 | 3.6 | 2.3 |
| N.B. | 1.6 | 2.0 | 2.5 | 4.2 | 4.1 | 3.3 | 5.7 | 5.5 | 4.0 | 2.1 | 0.9 | 0.9 | 1.9 | 2.2 | 2.1 |
| QUE. | 2.4 | 0.7 | 1.2 | 48.6 | 45.7 | 39.0 | 4.6 | 5.5 | 3.5 | 2.3 | 0.8 | 1.1 | 1.6 | 2.5 | 2.0 |
| ONT. | 2.1 | 0.0 | 0.4 | 68.1 | 75.0 | 66.5 | 3.9 | 5.0 | 2.8 | 1.6 | 1.5 | 1.2 | 1.8 | 2.6 | 2.0 |
| MAN. | 3.3 | 3.1 | 2.3 | 5.7 | 5.4 | 5.4 | 8.8 | 8.0 | 5.5 | 1.6 | 1.8 | 1.5 | 2.1 | 2.5 | 2.6 |
| SASK. | 2.8 | 3.9 | 3.5 | 6.0 | 6.8 | 5.3 | 13.0 | 12.0 | 7.5 | 2.1 | 1.6 | 2.0 | 2.9 | 3.4 | 2.7 |
| ALTA. | 3.3 | 2.2 | 3.0 | 48.3 | 30.2 | 31.3 | 9.3 | 1.5 | 6.5 | 4.7 | 2.6 | 2.1 | 4.9 | 3.7 | 2.9 |
| B.C. | 3.1 | 1.2 | 2.1 | 39.2 | 34.8 | 26.0 | 6.7 | 3.0 | 6.5 | 3.2 | 2.4 | 1.4 | 1.7 | 2.5 | 2.0 |
| CANADA | 2.7 | 0.9 | 1.5 | 228 | 209 | 183 | 5.8 | 4.7 | 4.3 | 2.3 | 1.6 | 1.3 | 2.1 | 2.7 | 2.2 |

- 30 -

For more information contact:

Craig Wright, RBC Economics, (416) 974-7457

Robert Hogue, RBC Economics, (416) 974-6192

Jackie Braden, RBC Media Relations, (416) 974-2124