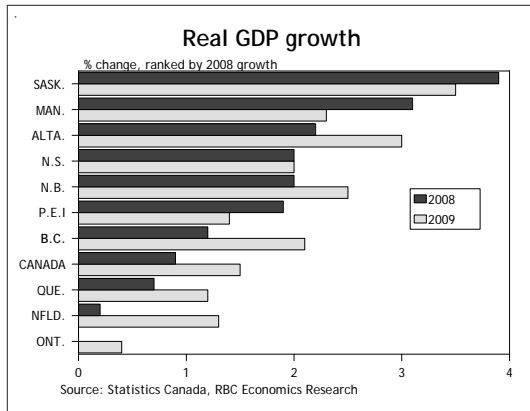


PROVINCIAL OUTLOOK

October 2008



On a knife's edge

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

This fast-deteriorating context will necessarily affect the economic performance of the provinces in the period ahead. Central Canada is quite possibly the most at risk given its close dependence on dwindling U.S. demand, although a negative impact will be felt across the board. Fortunately, some provinces — e.g., Saskatchewan, Manitoba, New Brunswick — will be able to count on other positive factors that are expected to provide powerful offsets.

The scenario presented in this report assumes that the historic actions being taken by central banks and governments around the world will ultimately be successful in restoring investor confidence and bringing some normalcy to financial markets. The weight on global economic activity will, thus, be gradually lifted, setting the stage for a recovery during the latter part of 2009.

▲ With its economy firing on most cylinders, Saskatchewan is leading the way this year and we expect it to remain at the front of the pack in 2009. Manitoba will be close behind. Both provinces are riding the wave provided by the strong demand and prices for their key commodities.

▲ The boom in commodities and the attendant rise in capital investment are also fuelling growth in most of Atlantic Canada. Positive repercussions are being felt in the labour markets, migration flows, consumer spending and the housing sector, particularly in the case of Newfoundland & Labrador. The region's economy should continue to display resilience against the unsettling turmoil raging elsewhere and sustain a moderate pace of expansion — except Newfoundland & Labrador this year where flat crude oil production will temporarily halt economic growth.

▲ Conditions in the most western part of the country are much less encouraging, at least compared to earlier expectations. While strong capital expenditures still form a solid base for economic activity, clear signs of cooling have emerged in other sectors. Eroding housing situations and rapidly slowing growth in consumer spending have prompted us to revise our growth forecasts for British Columbia and Alberta lower.

▲ As weak external trade continues to exert a toll on the economies of Ontario and Quebec, cracks are now showing in their domestic foundations. A

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softening in job creation, consumer spending and housing activity will have a notable slowing effect in these provinces. As the province most vulnerable to the U.S. vortex, Ontario will likely see its growth evaporate. In Quebec, strong capital investment (led by public infrastructure spending) should help the economy stay above water.

### British Columbia – Losing its grip?

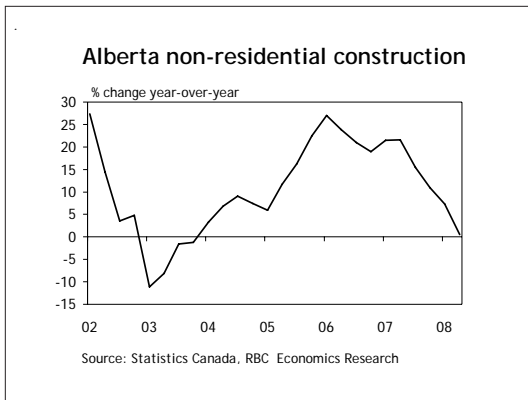
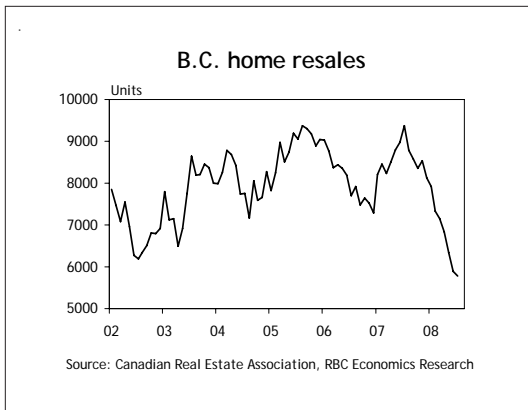
If the housing market is a gauge of the economic situation, then conditions appear to be slipping fast in British Columbia. Home resale activity is plunging in the province; it reached the lowest level since 2001 by mid-summer. At the same time, a surging supply of houses for sale is having a significant cooling effect on prices. Home prices have even started to decline in certain areas such as Vancouver. Judging by the recent very low sales/listing ratio, prices could well deteriorate further in the period ahead. Housing construction has trended lower since it peaked late last year as the market struggles to absorb elevated levels of units newly completed. Is this slippage in the housing sector symptomatic of a generalized malaise in the province? The short answer is “no” but it is consistent with a less rosy economic picture.

Certainly, the slump in the forest products sector leaves a deep hole that will likely persist through next year unless the U.S. housing situation stages a surprising turnaround. This weighs particularly heavily on the province’s exports. Nominal exports are down modestly year-to-date, but the decline is likely much steeper on a volume basis given meaningful price increases for several key commodities (e.g., lumber, pulp, newsprint, coal). Job creation has virtually stalled since the spring, with losses in forestry and manufacturing offset by gains in services and construction. This appears to be affecting consumer spending with growth in retail sales slowing rapidly, led by declines in new motor vehicle purchases.

Fortunately, British Columbia’s economy remains well supported by heavy investment spending both private and public. Development of natural gas plays and infrastructure building ahead of the 2010 Winter Olympic Games will continue to be catalysts for further growth in non-residential construction. Overall, economic growth this year is likely running slower than we previously thought and prospects for 2009 now appear more muted in light of softening domestic conditions and limited scope for improvement on the external side of the economy. As a result, we have lowered our forecast for real GDP to 1.2% in 2008 (from 2.2%) and down to 2.1% in 2009 (from 2.9%).

### Alberta – Shifting down a few gears

Booming economies eventually run up against resource constraints and must contend with imbalances that cause the expansion to slow. Alberta is a case in point. Following years of mega investments in the energy sector that fired up most sectors of the economy, the province has shifted down a few gears to catch its breath. The first and most visible sign of cooling has been the housing market where sales of existing homes have slowed considerably since their cyclical peak in early 2007. Prices are now reversing some of their spectacular gains of recent years, which will ultimately contribute to restoring affordability. With the easing of earlier housing shortages and plenty of new supply coming



on to the market, home builders have put the brakes on new projects, causing housing starts to plummet since the spring.

Another sign of cooling has come from consumers. They have gone into a hiatus this year, leaving retail sales stagnating. This constitutes a significant retrenching from an average of 12% annual increases during the last three years. Consumers are shunning big-ticket items such as motor vehicles, signalling that confidence is no longer sky-high. On the business side, there is evidence that capacity constraints are restraining momentum in non-residential construction. Although the level of activity remains very high, growth has slowed considerably this year. In light of the cooling in housing, consumer spending and non-residential construction, we have reduced our real GDP growth forecast for 2008 to 2.2% from 3.1% previously. The recent jump in net in-migration into Alberta (especially international in-migration) bodes well for a pick up in the demand for housing and consumer spending. It might also help reduce bottlenecks at major construction projects and promote growth in capital spending. Consequently, 2009 growth is expected to re-accelerate.

### Saskatchewan – Leading the way

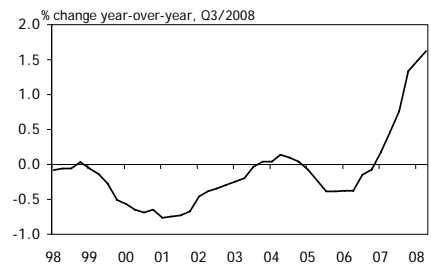
Saskatchewan is expected to lead all provinces in growth both this year and next year with overall GDP rising 3.9% and 3.5%, respectively, because the province is enjoying very high prices for most of its key exports, including grains, oil, potash and uranium. Although prices have come down from recent peaks in a number of cases, they are expected to remain at historically high levels through the forecast period. The upward impact on provincial income from the surge in resource revenues is expected to support both business investment and household spending. The prop to the latter is clearly evident in recent data with growth in retail sales rising by almost 14% year-over-year so far this year, almost triple the national rate of 5%. Although the pace of growth is expected to moderate somewhat through next year, it should continue to easily outpace the national average. Similarly, housing starts this year are expected to rise to 6,800 from the already-strong 6,000 achieved in 2007. However, the recent surge in housing prices and resulting deterioration in affordability will weigh on the housing market next year with starts moderating to 5,300.

Statistics Canada's annual private and public investment survey earlier this year suggested that Saskatchewan, along with Manitoba, would lead all other provinces with growth in capital spending of 18%. This survey reflected spending intentions late in 2007 and early 2008. With many commodity prices moving even higher since then, it is likely that the actual growth in investment will exceed this rate. Anecdotal information suggests this will be the case and that further growth is in the cards next year. Numerous new projects are at various stages of development to tap the province's deposits of potash (e.g., by PotashCorp) and uranium (e.g., by Cameco Corp.). This is in addition to the ongoing oil resources development, including the large Bakken deposit in the southeast corner of the province. Record sales of oil and natural gas rights in the province this year attest to the dynamism of the energy sector in Saskatchewan.

### Manitoba – Hot job market fuelling growth

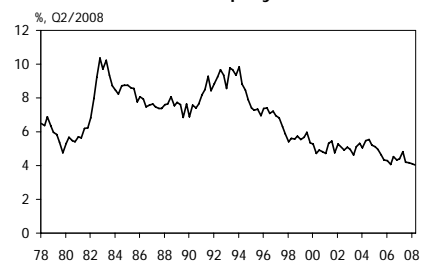
A robust labour market continues to be both a sign and source of vigour for the Manitoba economy. Strong job creation is keeping employment firmly on an

Saskatchewan population growth



Source: Statistics Canada, RBC Economics Research

Manitoba unemployment rate



Source: Statistics Canada, RBC Economics Research

ascending trend and the unemployment rate near a generational low. This strength in the labour market has contributed to the largest migration inflow on records in the province since the early 1960s, fuelling demand for housing and consumer goods and services. The extent of this strength has prompted us to revise our GDP growth forecast slightly higher this year to 3.1% from 2.7% previously, well above the average rate for the Canadian economy of 0.9%.

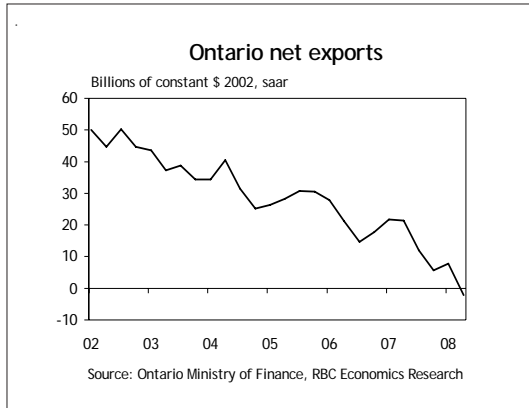
Manitoba is benefitting from high commodity prices (e.g., for grains and base metals), although not quite to the same extent as its western neighbours where the energy sector is of greater importance. While prices are expected to moderate, they should remain historically high through next year, thus maintaining underlying support to provincial income growth. On the flip side, high commodity prices have a downside for the province's relatively large manufacturing base as steeper costs for materials and energy exacerbate challenges posed by the high value of the Canadian dollar. However, the downturn in Manitoba's manufacturing sector is expected to be more limited than that in Ontario, which is being hit particularly hard by the extensive restructuring taking place at the "Big 3" North American auto producers. By contrast, Manitoba's manufacturing activity is dominated by aerospace and bus production, which enjoy comparatively brighter prospects. The completion later this year of major capital expenditure projects — expansion of the Red River floodway and upgrade to the Winnipeg International Airport — will remove key growth engines and lead to a slower pace of expansion next year, although ongoing investment by Manitoba Hydro will limit the extent of the slowing.

### Ontario – Caught in the U.S. vortex

The vortex created by the likely descent of the U.S. economy into recession will be virtually impossible for Ontario to withstand. Close economic ties to its southern neighbours paid tremendous dividends during the long economic expansion of the 1990s and 2000s but have become a ball and chain more recently. Weaker exports, in fact, were among the factors (along with drops in inventories and residential construction) contributing to a contraction of activity in Ontario in the first quarter. A "technical" recession (defined as two successive quarters of negative growth in real GDP) was narrowly avoided with economic growth rebounding modestly in the second quarter. However, the details were not cause for much celebration. That quarter's performance was carried by a rebuild in inventories, a sharp rise in government current expenditures and a rebound in residential construction investment (reflecting a surge in work on multi-unit projects), none likely to be as forceful contributors in the period ahead. More importantly, net exports in real terms turned negative for the first time on record since 1981. This will remain a central concern in the coming quarters.

Previously robust domestic conditions are showing cracks in their foundations. Provincial employment took a hit in the summer. Housing markets are rapidly cooling. Home building has become extremely volatile, with most activity taking place on the multi-unit side of the market. As negative sentiment spreads, those cracks could well widen and test the resilience of other, still-strong performing sectors such as consumer spending.

While the Ontario economy should continue to benefit from public infrastructure programs, low interest rates and fiscal relief at the federal level, overall



performance is expected to be the weakest since the recession of the 1990s with real GDP growth forecast at zero this year and only 0.4% in 2009.

## Quebec – Crawling its way to stronger growth

The relief that greeted the publication of second-quarter provincial accounts from the Institut de la statistique du Québec, which revealed the province had steered clear of a recession in the first half of this year, was quite telling of the widely perceived softening in the Quebec economy. The latest figures showed real GDP bouncing back to 0.9% (at an annualized rate) from an upwardly revised flat reading in the first quarter. With net exports declining steadily, the forest products sector in crisis, parts of the manufacturing sector in a deep slump and residential construction past its cyclical peak and deteriorating, fears had grown that overall economic activity would go into reverse. However, the two largest components of the economy — consumer spending and government expenditure — continued to grow briskly and more than offset weakness in other areas. A pick-up in renovation activity even contributed to a boost in second-quarter residential investment although, in view of the cooling in housing market conditions, this is likely to be just a temporary halt in the downward trend.

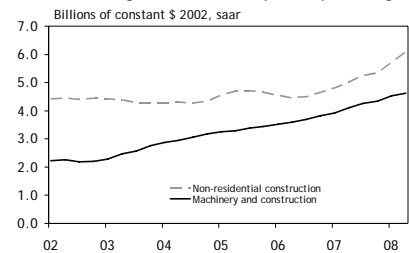
Concerns about the Quebec economy are unlikely to dissipate for the remainder of 2008. The pace of overall activity will be reduced to a crawl. As the U.S. and Ontario economies — the province's biggest trading partners — navigate through rougher waters, little improvement will come from the external trade side. Domestically, waning momentum in job creation will maintain a slight upward tilt in the unemployment rate and erode consumer confidence. While recent tax cuts provide a boost to income, the pace of consumer spending is expected to moderate. The same is anticipated for housing activity, which is returning to more sustainable levels following a strong, extended run. Residential construction is set to soften further. On the upside, steady increases in machinery and equipment investment and the continued boom in capital investment projects in the public sector (including Hydro-Québec) will stimulate growth and help the provincial economy stay above water through the second half of this year.

Next year, economic growth should regain a little traction. While the picture on the domestic side is unlikely to change much — growth in employment and consumer spending still modest, residential construction still declining, non-residential investment expenditures (both public and private) still strong — the expected recovery of U.S. demand in the latter part of the year and a gradual depreciation of the Canadian dollar should eventually stabilize Quebec exports and remove some of the drag from the external side of the economy. Real GDP growth is forecast to strengthen to 1.2% from 0.7% in 2008.

## New Brunswick – Bucking the weakening trend

Bucking the trend among provinces, growth New Brunswick's economy is expected to accelerate to 2% this year from 1.6% in 2007. This largely reflects strengthening investment spending in the province, led by the refurbishment of the Point Lepreau nuclear facility (\$1.4 billion), development of a potash mine near Sussex (\$1.7 billion), construction of the Canaport liquid natural gas terminal (\$1.0 billion) and the associated Brunswick pipeline (\$0.4 billion). Also encouraging has been the surge in the value of manufacturing shipments since late

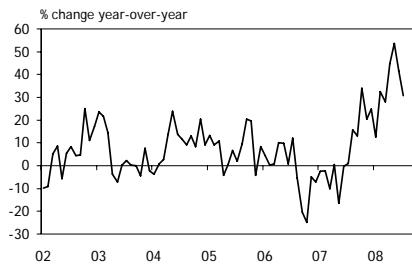
Quebec government capital spending



Source: Institut de la statistique du Québec, RBC Economics Research

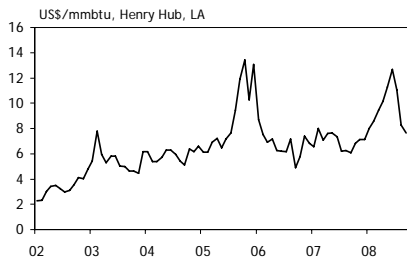
last year. This improvement has occurred despite ongoing weakness in the forest products sector where exports have plummeted in the face of a strong Canadian dollar and the collapse in U.S. housing construction. The main driver of the manufacturing sales growth has been a spike in receipts for refined oil products. While this primarily resulted from higher petroleum product prices and, thus, will not translate into stronger “real” activity, the revenues generated have boosted incomes within the province. In turn, this income boost is having an impact on the “real” economy by, among other things, fuelling demand for housing. Home building activity was quite strong in the province in the first half of this year, although some cooling has occurred since then.

**New Brunswick manufacturing sales**



Source: Statistics Canada, RBC Economics Research

**Natural gas spot prices**



Source: Wall Street Journal, RBC Economics Research

Looking ahead to 2009, although oil prices are expected to weaken from recent levels and average around US\$90/barrel (WTI basis), this will still represent historically high prices. Accordingly, revenue will continue to flow from the energy sector and support provincial growth through its effect on incomes. However, forecasting the pace of overall economic growth next year necessitates assumptions on the start of key investment projects. By then, the big capital projects that boosted growth in 2008 will be largely completed (with the exception of the potash mine), which would have a moderating effect on the economy. However, two other large pending projects — a second nuclear facility (\$4 billion) and a new refinery in Saint John (\$7 billion) — are currently in the late stages of approvals and final decisions on them are expected during 2009. Our forecast assumes that some construction work will take place on one of them, providing an added lift to the province’s real growth rate to 2.5% next year.

### Nova Scotia – Riding higher on natural gas prices

As is the case with other energy-producing provinces, Nova Scotia is enjoying the benefits of higher natural gas prices. The positive effects on revenue and incomes are being felt throughout many sectors of the economy. Manufacturing shipments have posted double-digit gains (year-over-year), during the first half of 2008, most of them on the strength of higher nominal production of natural gas. This same factor supported exports, which overcame declines in most other export categories. The positive “terms of trade shock” and the attendant boost in incomes generated by these higher natural gas prices go on to lift consumer spending, where retail sales growth has been brisk since the beginning of the year. Though natural gas prices have started to move lower going into the second half of 2008, we expect them to remain at historically high levels. Thus, we remain comfortable suggesting some strengthening in overall GDP growth to about 2% this year from 1.6% in 2007. This pick-up in pace will also reflect a ramping up in investment spending, largely spurred by work related to the Deep Panuke offshore gas project.

Looking ahead to 2009, positive terms of trade are expected to continue fuelling growth, although their effect will moderate as natural gas prices ease somewhat further from recent peak levels. This would provide steady underlying support to incomes and domestic spending. On the external side, an anticipated depreciation of the Canadian dollar is seen to ease some of the downward pressure on non-energy exports, although a clear turnaround is unlikely until the U.S. economy is farther along its recovery. All things considered, we expect overall growth next year in Nova Scotia to come close to the projected rate in 2008. This as-

sumes that some spending will get under way for two associated, multi-year projects – the Keltic Petrochemical plant and Maple LNG terminal – that are now estimated to cost between \$5.5 billion and \$6 billion. A more rapid timeline than assumed would present some upside to our growth estimate next year.

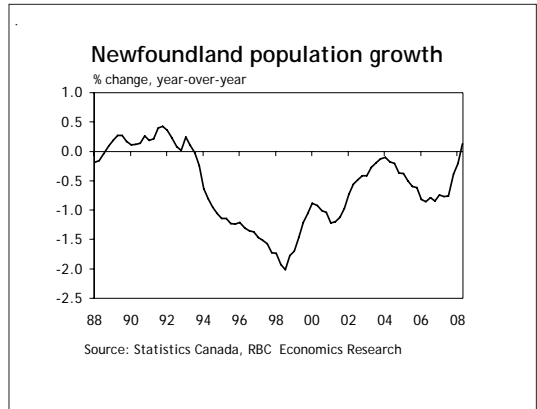
### Newfoundland & Labrador – In high spirits

Judging by the strong activity in the housing market and at retail stores, consumers in Newfoundland & Labrador appear to be in high spirits. Record oil prices, the announcement of a go-ahead deal on the Hebron offshore project, steady declines in unemployment (until recently) and tax cuts have given a boost to confidence in the province, which is felt beyond its borders. The long-standing exodus to other, more prosperous provinces started to reverse in the past year, allowing the population count to rise again after 15 straight years of declines. This expansion in the population is stimulating demand for both housing and consumer goods and services. Newfoundland & Labrador has emerged as one of Canada's hot spots in housing this year, with price increases running well into double-digits in sharp contrast to the cooling taking place elsewhere in the country. Similarly, retail sales continue to grow at a fast pace (high single-digits) — also head-and-shoulders above most other provinces.

While domestic conditions are generally strong, growth in the economy is nonetheless expected to slow significantly relative to last year amid a levelling off in oil production. In 2007, the return to full operation of the Terra Nova offshore project and the completion of White Rose's expansion have boosted crude oil output by more than 20%. With no such increase this year, the contribution of the energy sector to provincial growth is likely to be flat or slightly negative. Through the first six months of this year, crude oil production was down almost 9% year-over-year. All things considered, real growth in Newfoundland & Labrador's real GDP is forecast to be negligible this year at 0.2% before picking up in 2009 to around 1.3% on the continued strength of the domestic economy.

### Prince Edward Island – Showing resilience

Prince Edward Island's economy has shown much resilience against the economic turbulence that is shaking many parts of North America. While the high Canadian dollar, the surge in gasoline prices and growing anxiety felt by U.S. households have dampened travel to the Island and slowed tourism activity, the domestic economy has maintained a decent pace thanks to strong spending on infrastructure and a large inflow of new residents. A relatively bright job situation — with the unemployment rate hovering around a 30-year low — and tax cuts at both the provincial and federal levels have bolstered consumer sentiment and spending. Retail sales have risen smartly so far this year. Nonetheless, momentum in the economy is likely to slow in the period ahead. Job creation has already moderated since the spring and home resale activity is past its cyclical peak. Although quite volatile, home building is expected to enter a consolidation phase as the surge in in-migration runs its course and demand for new housing units diminishes. We have boosted our forecast for the province's real GDP growth rate this year to 1.9% (from 1.2% previously) but have revised our outlook down for next year to 1.4% (1.6% previously).



## Forecast detail

Average annual % change unless otherwise indicated

	Real GDP			Nominal GDP			Employment			Labour force			Unemployment rate			Personal disposable income			Housing starts			Retail sales			CPI				
	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08	09	07	08
NFLD.	9.1	0.2	1.3	13.4	7.1	2.2	0.7	2.0	0.6	-0.7	1.4	0.4	13.6	13.1	12.9	-3.5	2.8	2.6	2.6	2.8	3.0	9.0	8.0	4.0	1.4	3.1	2.1		
P.E.I.	2.0	1.9	1.4	5.4	3.5	2.3	1.1	1.7	0.5	0.2	1.7	0.5	10.3	10.4	10.4	3.9	3.7	2.6	0.8	0.7	0.5	7.7	5.5	3.5	1.8	3.8	2.4		
N.S.	1.6	2.0	2.0	4.1	5.4	3.0	1.3	1.1	0.9	1.4	0.8	1.2	8.0	7.7	8.0	4.0	4.0	4.1	4.8	4.2	3.2	4.2	5.5	4.0	1.9	3.6	2.3		
N.B.	1.6	2.0	2.5	4.2	6.8	3.5	2.1	0.9	0.9	0.7	2.1	1.2	7.5	8.6	8.9	4.3	3.4	3.4	4.2	4.1	3.3	5.7	5.5	4.0	1.9	2.2	2.1		
QUE.	2.4	0.7	1.2	5.4	2.6	2.4	2.3	0.8	1.1	1.4	1.1	1.8	7.2	7.5	8.1	5.5	3.9	3.8	48.6	45.7	39.0	4.6	5.5	3.5	1.6	2.5	2.0		
ONT.	2.1	0.0	0.4	4.3	2.0	1.6	1.6	1.5	1.2	1.7	1.6	1.9	6.4	6.5	7.1	4.3	4.6	3.9	68.1	75.0	66.5	3.9	5.0	2.8	1.8	2.6	2.0		
MAN.	3.3	3.1	2.3	8.3	6.1	3.3	1.6	1.8	1.5	1.7	1.4	2.0	4.4	4.0	4.5	6.4	8.0	5.0	5.7	5.4	5.4	8.8	8.0	5.5	2.1	2.5	2.6		
SASK.	2.8	3.9	3.5	11.4	15.4	4.4	2.1	1.6	2.0	1.6	1.6	2.1	4.2	4.2	4.3	9.0	8.5	5.5	6.0	6.8	5.3	13.0	12.0	7.5	2.9	3.4	2.7		
ALTA.	3.3	2.2	3.0	8.3	11.8	3.8	4.7	2.6	2.1	4.8	2.7	2.7	3.5	3.5	4.1	9.2	6.5	5.2	48.3	30.2	31.3	9.3	1.5	6.5	4.9	3.7	2.9		
B.C.	3.1	1.2	2.1	5.5	3.0	3.4	3.2	2.4	1.4	2.7	2.6	2.1	4.2	4.4	5.1	6.4	6.0	4.8	39.2	34.8	26.0	6.7	3.0	6.5	1.7	2.5	2.0		
CANADA	2.7	0.9	1.5	5.9	4.7	2.6	2.3	1.6	1.3	2.0	1.7	1.9	6.0	6.1	6.7	5.6	5.0	4.2	228	209	183	5.8	4.7	4.3	2.1	2.7	2.2		

Source: Statistics Canada, RBC Economics Research

## Key provincial comparisons

2007 unless otherwise indicated

	NFLD	P.E.I.	N.S.	N.B.	QUE	ONT	MAN	SASK	ALTA	B.C.
Population (000s)	507	139	935	751	7,720	12,851	1,190	1,003	3,487	4,403
Gross domestic product (\$ billions)	29.0	4.5	33.3	26.4	298.2	582.0	48.6	51.2	259.9	190.2
Real GDP (\$2002 billions)	19.3	4.1	29.0	23.2	266.1	532.8	41.6	39.5	189.5	163.2
Share of Canada real GDP (%)	1.5	0.3	2.2	1.8	20.2	40.4	3.2	3.0	14.4	12.4
Real GDP growth (CAR, last five years 02-07, %)	3.3	2.2	1.4	1.9	2.0	2.2	2.6	2.8	4.7	3.4
Real GDP per capita (\$)	38,116	29,799	31,083	30,970	34,581	41,660	35,136	39,673	54,758	37,313
Real GDP growth rate per capita (CAR, last five years 02-07, %)	3.8	2.0	1.4	1.9	1.3	1.0	2.1	2.9	2.5	2.1
Personal disposable income per capita (\$)	24,345	22,416	24,180	23,698	24,404	27,403	24,890	25,011	34,632	26,646
Employment growth (CAR, last five years 02-07, %)	0.9	1.4	1.1	1.1	1.5	1.8	1.0	1.4	3.2	2.9
Employment rate (August, 2008, %)	51.4	61.3	58.7	59.2	60.5	63.5	66.5	66.5	71.6	63.7
Discomfort index (inflation + unemp. Rates, latest)	18.0	15.2	12.4	11.0	10.8	9.8	7.3	8.0	7.5	7.6
Manufacturing industry output (% of real GDP)	4.6	11.8	9.8	12.7	18.9	18.3	12.9	7.2	9.3	10.6
Personal expenditures goods & services (% of real GDP)	54.0	70.4	70.3	67.5	63.3	58.8	63.3	58.4	50.3	68.6
International exports (% of real GDP)	39.6	31.5	25.3	43.8	36.3	45.8	31.9	40.1	35.9	28.6

Source: Statistics Canada, RBC Economics Research



## British Columbia

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	138,193	145,642	157,365	169,404	180,328	190,214	195,962	202,678
	% change	3.5	5.4	8.0	7.7	6.4	5.5	3.0	3.4
Real GDP	\$2002 millions	138,193	141,435	146,629	153,208	158,335	163,200	165,158	168,627
	% change	3.6	2.3	3.7	4.5	3.3	3.1	1.2	2.1
Employment	thousands	1,965.0	2,014.7	2,062.7	2,130.6	2,195.5	2,266.3	2,321.7	2,355.1
	% change	2.3	2.5	2.4	3.3	3.0	3.2	2.4	1.4
Labour force	thousands	2,147.6	2,190.7	2,221.9	2,263.4	2,305.1	2,366.4	2,428.7	2,480.9
	% change	3.1	2.0	1.4	1.9	1.8	2.7	2.6	2.1
Unemployment rate	%	8.5	8.0	7.2	5.9	4.8	4.2	4.4	5.1
Personal disposable income	\$ millions	88,594	91,505	96,714	101,559	109,579	116,546	123,539	129,469
	% change	3.8	3.3	5.7	5.0	7.9	6.4	6.0	4.8
Retail sales	\$ millions	43,265	44,421	47,217	49,286	52,837	56,365	58,056	61,830
	% change	6.3	2.7	6.3	4.4	7.2	6.7	3.0	6.5
Housing starts	units	21,625	26,174	32,925	34,667	36,443	39,195	34,800	26,000
	% change	25.5	21.0	25.8	5.3	5.1	7.6	-11.2	-25.3
Consumer price index	2002=100	100.0	102.2	104.2	106.3	108.1	110.0	112.7	115.0
	% change	2.3	2.2	2.0	2.0	1.7	1.7	2.5	2.0

Source: Statistics Canada, RBC Economics Research

## Alberta

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	150,594	170,113	189,521	222,159	240,025	259,941	290,632	301,745
	% change	-0.4	13.0	11.4	17.2	8.0	8.3	11.8	3.8
Real GDP	\$2002 millions	150,594	155,359	163,457	172,047	183,372	189,470	193,638	199,447
	% change	2.2	3.2	5.2	5.3	6.6	3.3	2.2	3.0
Employment	thousands	1,670.8	1,716.7	1,757.5	1,784.4	1,870.7	1,959.4	2,011.2	2,053.4
	% change	2.4	2.7	2.4	1.5	4.8	4.7	2.6	2.1
Labour force	thousands	1,764.2	1,808.8	1,842.4	1,857.5	1,937.5	2,030.6	2,084.5	2,140.9
	% change	3.2	2.5	1.9	0.8	4.3	4.8	2.7	2.7
Unemployment rate	%	5.3	5.1	4.6	3.9	3.4	3.5	3.5	4.1
Personal disposable income	\$ millions	78,323	81,942	89,308	97,528	109,732	119,830	127,619	134,255
	% change	3.7	4.6	9.0	9.2	12.5	9.2	6.5	5.2
Retail sales	\$ millions	37,663	39,318	43,372	48,493	55,942	61,160	62,077	66,112
	% change	9.0	4.4	10.3	11.8	15.4	9.3	1.5	6.5
Housing starts	units	38,754	36,171	36,270	40,847	48,962	48,336	30,200	31,250
	% change	32.8	-6.7	0.3	12.6	19.9	-1.3	-37.5	3.5
Consumer price index	2002=100	100.0	104.4	105.9	108.1	112.3	117.9	122.2	125.7
	% change	3.4	4.4	1.4	2.1	3.9	4.9	3.7	2.9

Source: Statistics Canada, RBC Economics Research

## Saskatchewan

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	34,343	36,653	40,417	43,773	45,922	51,166	59,062	61,680
	% change	3.7	6.7	10.3	8.3	4.9	11.4	15.4	4.4
Real GDP	\$2002 millions	34,343	35,921	37,303	38,598	38,433	39,500	41,041	42,477
	% change	-0.4	4.6	3.8	3.5	-0.4	2.8	3.9	3.5
Employment	thousands	468.3	476.1	479.7	483.5	491.6	501.7	509.9	520.0
	% change	1.7	1.7	0.8	0.8	1.7	2.1	1.6	2.0
Labour force	thousands	496.5	504.3	506.8	509.4	515.6	523.8	532.3	543.3
	% change	1.6	1.6	0.5	0.5	1.2	1.6	1.6	2.1
Unemployment rate	%	5.7	5.6	5.3	5.1	4.7	4.2	4.2	4.3
Personal disposable income	\$ millions	19,049	20,238	21,797	21,998	22,853	24,902	27,019	28,505
	% change	3.0	6.2	7.7	0.9	3.9	9.0	8.5	5.5
Retail sales	\$ millions	9,389	9,858	10,259	10,796	11,495	12,984	14,542	15,633
	% change	7.6	5.0	4.1	5.2	6.5	13.0	12.0	7.5
Housing starts	units	2,963	3,315	3,781	3,437	3,715	6,007	6,800	5,300
	% change	24.4	11.9	14.1	-9.1	8.1	61.7	13.2	-22.1
Consumer price index	2002=100	100.0	102.3	104.6	106.9	109.1	112.2	116.0	119.2
	% change	2.8	2.3	2.2	2.2	2.0	2.9	3.4	2.7

Source: Statistics Canada, RBC Economics Research

## Manitoba

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	36,559	37,451	39,859	41,682	44,851	48,586	51,545	53,258
	% change	4.0	2.4	6.4	4.6	7.6	8.3	6.1	3.3
Real GDP	\$2002 millions	36,559	37,059	38,033	39,061	40,323	41,644	42,935	43,922
	% change	1.6	1.4	2.6	2.7	3.2	3.3	3.1	2.3
Employment	thousands	567.2	570.3	576.6	580.3	587.0	596.5	607.2	616.3
	% change	2.3	0.5	1.1	0.6	1.1	1.6	1.8	1.5
Labour force	thousands	597.8	600.3	608.9	609.4	613.5	623.9	632.5	645.2
	% change	2.4	0.4	1.4	0.1	0.7	1.7	1.4	2.0
Unemployment rate	%	5.1	5.0	5.3	4.8	4.3	4.4	4.0	4.5
Personal disposable income	\$ millions	23,678	24,436	25,670	26,326	27,713	29,500	31,860	33,453
	% change	3.1	3.2	5.0	2.6	5.3	6.4	8.0	5.0
Retail sales	\$ millions	10,570	10,953	11,692	12,381	12,870	14,008	15,129	15,961
	% change	7.0	3.6	6.7	5.9	3.9	8.8	8.0	5.5
Housing starts	units	3,617	4,206	4,440	4,731	5,028	5,738	5,400	5,400
	% change	22.1	16.3	5.6	6.6	6.3	14.1	-5.9	0.0
Consumer price index	2002=100	100.0	101.8	103.8	106.6	108.7	110.9	114.6	116.6
	% change	1.5	1.8	1.9	2.7	1.9	2.1	2.5	2.6

Source: Statistics Canada, RBC Economics Research

## Ontario

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	477,763	493,081	516,792	536,908	557,784	582,019	593,659	603,186
	% change	5.3	3.2	4.8	3.9	3.9	4.3	2.0	1.6
Real GDP	\$2002 millions	477,763	484,341	496,208	510,740	521,648	532,842	532,842	534,973
	% change	3.1	1.4	2.5	2.9	2.1	2.1	0.0	0.4
Employment	thousands	6,031.4	6,213.2	6,316.5	6,397.8	6,492.7	6,593.8	6,695.3	6,772.4
	% change	1.8	3.0	1.7	1.3	1.5	1.6	1.5	1.2
Labour force	thousands	6,493.7	6,676.2	6,775.4	6,849.1	6,927.3	7,043.5	7,159.2	7,292.7
	% change	2.6	2.8	1.5	1.1	1.1	1.7	1.6	1.9
Unemployment rate	%	7.1	6.9	6.8	6.6	6.3	6.4	6.5	7.1
Personal disposable income	\$ millions	284,156	293,943	307,170	319,255	335,990	350,493	366,616	380,914
	% change	3.5	3.4	4.5	3.9	5.2	4.3	4.6	3.9
Retail sales	\$ millions	120,992	125,122	129,086	135,321	140,808	146,252	153,565	157,865
	% change	5.9	3.4	3.2	4.8	4.1	3.9	5.0	2.8
Housing starts	units	83,597	85,180	85,114	78,795	73,417	68,123	75,000	66,500
	% change	14.1	1.9	-0.1	-7.4	-6.8	-7.2	10.1	-11.3
Consumer price index	2002=100	100.0	102.7	104.6	106.9	108.8	110.8	113.6	115.9
	% change	2.0	2.7	1.9	2.2	1.8	1.8	2.6	2.0

Source: Statistics Canada, RBC Economics Research

## Quebec

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	241,448	250,752	262,890	272,672	282,841	298,157	305,949	313,336
	% change	4.2	3.9	4.8	3.7	3.7	5.4	2.6	2.4
Real GDP	\$2002 millions	241,448	244,422	250,673	255,638	259,895	266,104	267,967	271,182
	% change	2.4	1.2	2.6	2.0	1.7	2.4	0.7	1.2
Employment	thousands	3,569.9	3,628.8	3,680.5	3,717.3	3,765.5	3,851.7	3,881.2	3,925.5
	% change	3.8	1.7	1.4	1.0	1.3	2.3	0.8	1.1
Labour force	thousands	3,907.7	3,992.8	4,024.1	4,052.7	4,094.2	4,150.1	4,195.6	4,270.5
	% change	3.6	2.2	0.8	0.7	1.0	1.4	1.1	1.8
Unemployment rate	%	8.6	9.1	8.5	8.3	8.0	7.2	7.5	8.1
Personal disposable income	\$ millions	151,871	158,823	165,727	170,612	178,028	187,793	195,117	202,531
	% change	4.4	4.6	4.3	2.9	4.3	5.5	3.9	3.8
Retail sales	\$ millions	72,099	75,326	78,518	82,533	86,709	90,663	95,650	98,998
	% change	6.1	4.5	4.2	5.1	5.1	4.6	5.5	3.5
Housing starts	units	42,452	50,289	58,448	50,910	47,877	48,553	45,700	39,000
	% change	53.4	18.5	16.2	-12.9	-6.0	1.4	-5.9	-14.7
Consumer price index	2002=100	100.0	102.5	104.5	106.9	108.7	110.4	113.2	115.5
	% change	2.0	2.5	1.9	2.3	1.7	1.6	2.5	2.0

Source: Statistics Canada, RBC Economics Research

## New Brunswick

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	21,169	22,366	23,534	24,190	25,346	26,410	28,217	29,212
	% change	2.3	5.7	5.2	2.8	4.8	4.2	6.8	3.5
Real GDP	\$2002 millions	21,169	21,765	22,069	22,174	22,843	23,213	23,666	24,257
	% change	4.5	2.8	1.4	0.5	3.0	1.6	2.0	2.5
Employment	thousands	343.1	343.1	350.1	350.5	355.4	362.8	366.0	369.3
	% change	3.9	0.0	2.0	0.1	1.4	2.1	0.9	0.9
Labour force	thousands	382.0	382.4	388.0	388.2	389.6	392.4	400.5	405.5
	% change	2.8	0.1	1.5	0.0	0.4	0.7	2.1	1.2
Unemployment rate	%	10.2	10.3	9.8	9.7	8.8	7.5	8.6	8.9
Personal disposable income	\$ millions	14,480	15,027	15,789	16,308	17,024	17,762	18,366	18,990
	% change	2.2	3.8	5.1	3.3	4.4	4.3	3.4	3.4
Retail sales	\$ millions	7,787	7,827	7,963	8,326	8,814	9,318	9,831	10,224
	% change	3.9	0.5	1.7	4.6	5.9	5.7	5.5	4.0
Housing starts	units	3,862	4,489	3,947	3,959	4,085	4,242	4,100	3,300
	% change	11.6	16.2	-12.1	0.3	3.2	3.8	-3.3	-19.5
Consumer price index	2002=100	100.0	103.4	104.9	107.4	109.2	111.3	113.8	116.1
	% change	3.4	3.4	1.4	2.4	1.7	1.9	2.2	2.1

Source: Statistics Canada, RBC Economics Research

## Nova Scotia

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	27,082	28,851	30,014	31,575	31,997	33,296	35,099	36,159
	% change	4.5	6.5	4.0	5.2	1.3	4.1	5.4	3.0
Real GDP	\$2002 millions	27,082	27,464	27,836	28,336	28,597	29,042	29,608	30,200
	% change	4.0	1.4	1.4	1.8	0.9	1.6	2.0	2.0
Employment	thousands	422.9	431.2	442.2	443.0	441.8	447.6	452.5	456.7
	% change	1.8	2.0	2.6	0.2	-0.3	1.3	1.1	0.9
Labour force	thousands	467.7	474.5	485.0	483.9	480.0	486.7	490.4	496.5
	% change	1.7	1.5	2.2	-0.2	-0.8	1.4	0.8	1.2
Unemployment rate	%	9.6	9.1	8.8	8.4	7.9	8.0	7.7	8.0
Personal disposable income	\$ millions	18,674	19,202	20,062	20,872	21,714	22,592	23,496	24,459
	% change	3.0	2.8	4.5	4.0	4.0	4.0	4.0	4.1
Retail sales	\$ millions	9,840	10,015	10,297	10,527	11,163	11,636	12,276	12,767
	% change	6.1	1.8	2.8	2.2	6.0	4.2	5.5	4.0
Housing starts	units	4,970	5,096	4,717	4,775	4,896	4,750	4,200	3,200
	% change	21.5	2.5	-7.4	1.2	2.5	-3.0	-11.6	-23.8
Consumer price index	2002=100	100.0	103.4	105.3	108.2	110.4	112.5	116.5	119.2
	% change	3.0	3.4	1.8	2.8	2.1	1.9	3.6	2.3

Source: Statistics Canada, RBC Economics Research

## Newfoundland & Labrador

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	16,457	18,119	19,302	21,496	25,608	29,034	31,099	31,787
	% change	16.1	10.1	6.5	11.4	19.1	13.4	7.1	2.2
Real GDP	\$2002 millions	16,457	17,419	17,117	17,159	17,719	19,336	19,375	19,627
	% change	15.6	5.8	-1.7	0.2	3.3	9.1	0.2	1.3
Employment	thousands	207.2	212.3	214.3	214.1	215.7	217.1	221.5	222.8
	% change	1.7	2.4	1.0	-0.1	0.7	0.7	2.0	0.6
Labour force	thousands	248.5	254.1	254.3	252.5	253.1	251.3	254.7	255.8
	% change	2.4	2.2	0.1	-0.7	0.2	-0.7	1.4	0.4
Unemployment rate	%	16.6	16.5	15.7	15.2	14.8	13.6	13.1	12.9
Personal disposable income	\$ millions	9,381	9,773	10,041	10,397	12,802	12,350	12,696	13,026
	% change	2.9	4.2	2.7	3.5	23.1	-3.5	2.8	2.6
Retail sales	\$ millions	5,407	5,736	5,755	5,826	6,026	6,567	7,092	7,376
	% change	4.0	6.1	0.3	1.2	3.4	9.0	8.0	4.0
Housing starts	units	2,419	2,692	2,870	2,498	2,234	2,649	2,800	3,000
	% change	35.3	11.3	6.6	-13.0	-10.6	18.6	5.7	7.1
Consumer price index	2002=100	100.0	102.9	104.8	107.6	109.5	111.1	114.5	116.9
	% change	2.4	2.9	1.8	2.6	1.8	1.4	3.1	2.1

Source: Statistics Canada, RBC Economics Research

## Prince Edward Island

		<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Gross domestic product	\$ millions	3,701	3,798	3,994	4,118	4,304	4,538	4,698	4,807
	% change	7.9	2.6	5.2	3.1	4.5	5.4	3.5	2.3
Real GDP	\$2002 millions	3,701	3,778	3,893	3,945	4,049	4,129	4,207	4,266
	% change	4.8	2.1	3.0	1.3	2.6	2.0	1.9	1.4
Employment	thousands	64.7	66.1	66.9	68.2	68.6	69.3	70.5	70.8
	% change	1.7	2.2	1.3	1.9	0.6	1.1	1.7	0.5
Labour force	thousands	73.5	74.3	75.4	76.5	77.1	77.3	78.7	79.1
	% change	1.8	1.1	1.5	1.4	0.9	0.2	1.7	0.5
Unemployment rate	%	12.0	11.0	11.2	10.8	11.1	10.3	10.4	10.4
Personal disposable income	\$ millions	2,606	2,635	2,769	2,865	2,989	3,106	3,221	3,305
	% change	5.6	1.1	5.1	3.5	4.3	3.9	3.7	2.6
Retail sales	\$ millions	1,369	1,383	1,385	1,424	1,512	1,629	1,718	1,779
	% change	3.4	1.0	0.1	2.8	6.2	7.7	5.5	3.5
Housing starts	units	775	814	919	862	738	750	700	525
	% change	14.8	5.0	12.9	-6.2	-14.4	1.6	-6.7	-25.0
Consumer price index	2002=100	100.0	103.5	105.8	109.1	111.6	113.6	118.0	120.8
	% change	2.7	3.5	2.2	3.2	2.2	1.8	3.8	2.4

Source: Statistics Canada, RBC Economics Research

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