



## QUEBEC'S ECONOMY WILL FALL FLAT, SAYS RBC ECONOMICS

**TORONTO, December 19, 2008** — The unsettling impact of the global financial crisis on consumer and business confidence coupled with the weakness in both the United States and Ontario — Quebec's largest trading partners — will evaporate Quebec's real GDP growth to zero in 2009, according to the latest forecast from RBC Economics.

“Considering the speed at which the recession has taken hold in North America, Quebec's economy is putting up surprising resistance,” said Craig Wright, senior vice-president and chief economist, RBC. As the year draws to a close, the provincial economy is still carrying some forward momentum as consumer spending and non-residential construction are growing, manufacturing activity has picked up, house building remains steady and employment is holding up reasonably well, the RBC report said.

“Vigour in the domestic economy will more than compensate for the slump in external trade and keep real GDP growing at a rate of 0.6 per cent for 2008,” added Wright.

However, the economy will fall flat in 2009, according to the report. Tough economic conditions will slow job creation to a crawl next year sending the unemployment rate higher to 8.1 per cent from 7.3 per cent in 2008. This will contribute to a notable slowdown in the pace of consumer spending and housing activity. Offsetting these negative forces will be strong investment spending on capital projects in the public sector, including Hydro-Quebec.

The report noted that Quebec's economy is expected to improve in 2010 alongside anticipated recoveries in the U.S. and Ontario, as the external trade sector will contribute to growth once again. The easing of economic uncertainty will bolster confidence and increase consumer and business spending, the province's growth rate is projected to rebound at around 2.3 per cent, still slightly below the national average.

The main theme of the RBC Provincial Outlook is that economic performance is expected to be weaker from coast to coast due to the widespread negative implications of the financial market crisis and the global economic downturn. Ontario is expected to be worst hit with the province's economy contracting in both 2008 and 2009, for the first time since 1990-91. While growth will slow for all provinces, the economies of Saskatchewan and Manitoba will continue to lead during 2009.

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.S.T., at [www.rbc.com/economics/market/pdf/provfcst.pdf](http://www.rbc.com/economics/market/pdf/provfcst.pdf)), provincial forecast details are as follows:

	Real GDP			Housing starts			Retail sales			Employment			Unemployment rate		
	Y/Y % Change			Thousands			Y/Y % Change			Y/Y % Change			%		
	08	09	10	08	09	10	08	09	10	08	09	10	08	09	10
N.&L.	0.0	-0.5	3.0	3.0	2.9	3.0	8.6	3.5	3.9	1.6	-0.2	1.2	13.2	13.2	13.1
P.E.I.	1.5	0.5	2.0	0.7	0.6	0.7	5.9	3.0	3.7	1.4	-0.4	1.3	10.6	10.7	10.8
N.S.	1.2	0.8	2.5	4.4	3.2	3.5	6.0	3.5	3.9	1.3	0.1	1.4	7.7	8.5	8.5
N.B.	1.6	1.2	2.7	4.5	3.3	3.5	5.8	3.3	4.0	0.9	0.3	1.4	8.6	9.4	9.5
QUE.	0.6	0.0	2.3	47.3	35.0	37.0	6.0	3.1	4.5	0.8	-0.1	1.2	7.3	8.1	8.2
ONT.	-0.2	-1.4	2.5	75.5	64.3	67.0	5.1	2.3	4.3	1.5	-0.9	1.1	6.5	8.3	8.4
MAN.	2.5	1.9	2.8	5.7	5.2	5.3	7.7	3.4	5.1	1.7	0.8	1.7	4.1	4.8	5.1
SASK.	3.5	2.8	2.4	6.9	4.6	3.7	11.1	5.4	4.9	2.1	1.5	1.4	4.1	4.6	4.9
ALTA.	1.5	2.1	2.9	29.9	24.0	28.5	1.1	2.8	5.6	2.8	1.0	1.7	3.5	4.6	5.0
B.C.	0.8	0.6	3.5	35.0	23.5	26.0	2.2	3.0	6.8	2.2	0.2	2.5	4.5	5.6	5.4
CANADA	0.6	0.0	2.7	213	166	178	4.7	2.9	4.9	1.6	-0.1	1.4	6.1	7.3	7.4

**For more information, please contact:**  
 Craig Wright, RBC Economics, (416) 974-7457  
 Robert Hogue, RBC Economics, (416) 974-6192  
 Jackie Braden, Media Relations, (416) 974-2124