



RBC SAYS BRITISH COLUMBIA'S ECONOMY WILL CONTRACT IN 2009

TORONTO, March 12, 2009 — According to the latest provincial forecast released today by RBC, British Columbia's economy is heading towards its first annual contraction in more than a quarter of a century, with economic growth expected to decline by 1.5 per cent for 2009.

"The swiftness with which the province's housing sector, labour market, consumer spending and capital investment have deteriorated in recent months has thwarted prospects that the onset of a global recovery later this year might help offset the near-term slump in the province," said Craig Wright, senior vice-president and chief economist, RBC. "Unfortunately, the situation has degraded faster than anticipated and the B.C. economy is not expected to show significant improvement until 2010."

In recent months, resale activity in the province's housing sector reached its lowest levels on record, dating back to the mid 1980s, and downward pressure on prices has intensified. Demand for new residential units has been scaled back, with February housing starts falling to their lowest point since early 2002. Posting the longest losing streak since 1986, the labour market continues to decline with a whopping 35,000 jobs lost in January, the largest ever recorded in B.C.

"With their confidence clearly shaken, B.C. consumers have reined in their spending. Retail sales have been dismal over the past several months, particularly during the peak holiday shopping season," said Wright.

The report also noted that the development of the province's promising natural gas play is losing momentum. Combined with the winding down of Olympic-related infrastructure building, capital investment will soften considerably in 2009. Fiscal stimulus, primarily in the form of increased public spending on infrastructure, announced in both the federal and provincial budgets will provide some relief but the impact will be limited to the very near term.

The outlook is however brighter next year, as the stimulative effect of increased public infrastructure spending will be enhanced by improving global economic conditions, a gradual recovery in commodity markets and a positive contribution from external trade. As well, the expected run-up in tourism spending associated with the Vancouver 2010 Olympic and Paralympic Winter Games, should see the B. C. economic growth bounce back to 2.9 per cent in 2010.

The worsening of global conditions and weaker near-term prospects for the Canadian economy will dampen activity from coast to coast in 2009. All provinces but Saskatchewan, Manitoba and Nova Scotia are forecast to contract this year, a

testament to the generalized nature of the ongoing recession. The three exceptions will show much slower rates of expansion than in 2008. Alberta, British Columbia, Ontario and Newfoundland & Labrador are expected to experience the largest declines, while the downturn in Quebec, New Brunswick and Prince Edward Island will be relatively mild.

The RBC Economics Provincial Outlook assesses the provinces according to their projected growth in real GDP, employment, and retail sales, as well as their unemployment rates and housing starts.

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			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.	1.3	-1.2	3.0	3.2	3.3	3.0	7.7	-1.1	4.5	1.5	-1.5	1.2	13.2	14.0	14.2
P.E.I.	1.5	-0.8	2.0	0.7	0.6	0.7	4.8	-1.4	4.1	1.3	-2.3	0.9	10.7	12.2	12.2
N.S.	1.2	0.4	2.5	4.3	3.2	3.5	4.5	-1.1	4.9	1.2	0.0	1.0	7.7	8.9	9.1
N.B.	1.6	-0.6	2.7	4.2	3.3	3.5	4.9	-1.5	4.0	0.9	-0.3	0.6	8.6	9.8	10.0
QUE.	0.8	-0.5	2.3	47.9	36.0	37.0	4.9	-1.3	5.1	0.8	-1.0	1.2	7.2	8.4	8.5
ONT.	-0.2	-1.9	2.4	75.6	58.0	65.0	3.3	-2.7	4.8	1.4	-1.9	1.3	6.5	8.6	8.7
MAN.	2.7	0.5	2.8	5.6	4.6	5.3	7.1	0.4	5.6	1.7	0.2	1.5	4.1	5.0	5.3
SASK.	3.4	0.9	2.4	6.8	4.4	3.7	10.4	0.8	6.1	2.2	1.4	1.2	4.1	4.5	4.8
ALTA.	1.2	-2.3	2.7	29.0	22.3	28.0	-0.2	-2.9	5.4	2.7	-0.6	1.4	3.6	5.7	5.9
B.C.	0.6	-1.5	2.9	34.3	19.4	23.0	0.2	-3.9	6.0	2.1	-1.9	2.2	4.6	6.8	6.8
CANADA	0.5	-1.4	2.6	211	155	173	3.2	-2.2	5.2	1.5	-1.3	1.4	6.1	7.8	8.0

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