



## **RBC SAYS INFRASTRUCTURE SPENDING WILL HELP SOFTEN THE RECESSION BLOW IN QUEBEC**

**TORONTO, March 12, 2009** — Despite having handled the global recession quite deftly up to this stage of the game, Quebec's economy is expected to succumb to strong negative forces and contract for the first time since 1991, with real GDP declining by 0.5 per cent in 2009, according to the latest provincial forecast released today by RBC.

“By the end of last year, Quebec's resistance to the global economic downturn had reached its limits – and the province is now moving along the recessionary path,” said Craig Wright, senior vice-president and chief economist, RBC. “The province's economy will experience widespread weakness this year: exports will continue to suffer from anemic external demand, business and consumer confidence will erode amid heightened uncertainty and personal spending will be restrained.”

According to the report, provincial employment is forecast to drop for the first time since 1996, pushing the jobless rate up to an average of 8.4 per cent, compared to 7.2 per cent last year. The added weight to consumer confidence will intensify downward pressure on housing markets. Housing starts are forecast to recede from nearly 48,000 units last year to 36,000 in 2009, an eight-year low in the province.

To offset this generalized deterioration in economic conditions, the provincial government recently announced it will step up its five-year infrastructure renewal plan, now estimated to total \$42 billion by 2013. Capital investment spending is set to climb by more than eight per cent in 2009, while Hydro-Québec is slated to boost its capital spending by 11 per cent. This burst of activity from the public sector will almost compensate for cutbacks in the private sector. Total non-residential capital spending in Quebec is set to decline marginally by 0.4 per cent in 2009 according to Statistics Canada's latest survey of investment intentions, a much more subdued drop than 6.6 per cent expected nationally.

The general economic performance of the province is anticipated to improve in 2010 alongside gradual recoveries in the U.S. and Ontario. The lifting of economic uncertainty will revive confidence and support consumer and business spending. Quebec's economic growth rate is projected to rebound to 2.3 per cent in 2010, still slightly below the national average of 2.6 per cent.

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](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.	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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