



## **RBC SAYS SASKATCHEWAN'S ECONOMY WILL GET SOME BRUISES BUT WILL STILL LEAD THE COUNTRY**

**TORONTO, March 12, 2009** – While it has maintained solid momentum to this point, Saskatchewan's economy will feel the impact of the deepening global recession as a greater-than-expected weakness in commodity prices will weigh on provincial growth, now forecast at just 0.9 per cent in 2009, according to the latest provincial forecast released today by RBC.

“Despite our lower projection, Saskatchewan's economy is still expected to lead the country in growth,” said Craig Wright, senior vice-president and chief economist, RBC. “It is one of only three provinces where we anticipate an economic expansion this year.”

Earlier in 2008, record prices for the provinces key exports — potash, oil and grains — heavily contributed in propelling Saskatchewan to the top of the growth rankings for the country. Unfortunately, the rapid deterioration in global economic prospects since mid 2008 has unsettled commodity markets and caused prices to plummet. Even if an undue degree of economic pessimism were factored into current pricing, it is likely that future prices will remain below recent peaks. As a result, capital spending is being scaled back in the province. A recent survey by Statistics Canada showed Saskatchewan's non-residential capital spending growth will slow significantly to 2.3 per cent this year after a 19 per cent surge in 2008.

The report noted that the income boost from last year's strength in commodity prices also contributed to fuelling residential investment activity. Rising demand for housing heated up home prices, with annual increases exceeding 40 per cent in 2008. However, this price surge was in excess of income gains and resulted in a sharp deterioration in housing affordability. The erosion in affordability is expected to apply downward pressure on the province's housing market, leading to a drop in housing starts to 4,400 units in 2009 and 3,700 units in 2010 from 6,800 units in 2008.

On a bright note, an anticipated rebound in U.S. growth in 2010 and improvement in commodity market conditions will re-accelerate growth in the province to 2.4 per cent for 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](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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