



WHILE SLOW, MANITOBA'S ECONOMIC GROWTH STILL POSITIVE: RBC

Capital spending and industrial diversification buoy activity

TORONTO, June 15, 2009 — Despite the downward pressure of the global recession, Manitoba's economy is expected to grow this year, albeit only by 0.5 per cent, according to the latest provincial forecast released today by RBC.

"While Manitoba's growth will significantly slow, the province continues to benefit from economic drivers that offset weaker elements," said Craig Wright, senior vice-president and chief economist, RBC. "We forecast positive U.S. growth in the second half of this year, which should provide a boost for Manitoba's manufacturing sector, further raising real GDP growth to 2.8 per cent in 2010."

According to the report, the main impact of the worldwide recession on the province's economy has been the shutdown of large primary metal operations, prompted by the drop in global base metal demand. This has weighed on both manufacturing activity and the labour market. Manufacturing shipments fell an annualized 4.9 per cent in the first quarter of 2009 and provincial unemployment rate rose to 4.9 per cent in May from an average last year of 4.1 per cent.

Manitoba's deterioration in these sectors is much less pronounced compared to the national numbers, where manufacturing shipments have plummeted 17 per cent – largely reflective of the auto crisis – and the unemployment rate has gone from an average last year of 6.2 per cent to 8.4 per cent in recent months.

"Manitoba's resilience against the recession largely reflects continuing strong capital expenditures, as well as greater strength in manufacturing industries outside of primary metals, including a surge in machinery production and healthy bus production," added Wright.

RBC notes that growth in Manitoba is expected to get support from the \$1.6 billion in infrastructure spending for fiscal year 2010, announced in the provincial government's 2009 budget. The agricultural sector is also expected to benefit from strengthening grain prices; this outlook is tempered, however, by concerns about damage caused to agricultural areas by the major flooding this spring.

The main theme of the RBC Provincial Outlook is that tremendous weakness late last year and early this year has prompted a downward revision to real GDP growth forecasts across the board for 2009. Recent developments lend support to RBC's view that a general recovery will be established by the second half of 2009 and sustained in 2010. In 2009, expectations are that the economies of only three provinces – Saskatchewan, Manitoba and Nova Scotia – will grow, while all other provincial economies will contract. Ontario (deep troubles in the auto sector) and Newfoundland and Labrador (sharp drop in mineral and oil production) are taking the biggest hits, with Alberta (cutbacks in business and residential investment) being the other province showing above-average decline in activity. However, RBC continues to project that growth will return to all provinces next year.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.

According to the report (available online as of 8 a.m. EDT today, 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.	-0.1	-3.5	3.0	3.2	3.2	3.0	7.6	0.1	4.8	1.5	-2.6	1.1	13.2	14.7	14.8
P.E.I.	0.9	-1.8	2.0	0.7	0.5	0.7	5.6	-1.3	4.1	1.3	-2.3	1.0	10.7	12.5	12.6
N.S.	2.0	0.2	2.5	4.3	3.2	3.5	4.2	-2.8	4.5	1.2	-0.4	1.0	7.7	9.3	9.6
N.B.	0.0	-0.5	2.7	4.2	3.5	3.5	5.9	-2.2	4.1	0.9	-0.5	0.6	8.6	9.5	10.3
QUE.	1.0	-1.6	2.3	47.9	38.9	37.0	5.1	-1.5	4.5	0.8	-1.0	1.1	7.2	8.8	9.4
ONT.	-0.4	-3.4	2.2	75.6	52.7	65.0	3.5	-3.0	4.2	1.4	-2.6	1.0	6.5	9.3	9.9
MAN.	2.4	0.5	2.8	5.6	3.9	5.3	7.2	-2.6	5.4	1.7	-0.1	1.3	4.1	5.1	5.6
SASK.	4.4	0.7	2.8	6.8	3.3	3.7	10.6	-1.9	5.8	2.2	1.5	1.2	4.1	5.2	5.7
ALTA.	-0.2	-2.5	2.9	29.0	16.7	28.0	-0.1	-7.8	5.7	2.7	-1.0	1.4	3.6	6.4	6.7
B.C.	-0.3	-1.9	2.9	34.3	14.7	23.0	0.3	-6.5	5.9	2.1	-2.5	2.1	4.6	7.8	7.8
CANADA	0.4	-2.4	2.5	211	141	173	3.4	-3.7	4.8	1.5	-1.7	1.3	6.1	8.5	9.0

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