



NEWS

ONTARIO'S ECONOMY SINKS DEEPER INTO RECESSION, SAYS RBC

TORONTO, June 15, 2009 — Amid difficulties in the manufacturing sector, weak external demand for products and continued job losses, Ontario's economy is projected to contract by 3.4 per cent this year, one of the biggest economic drops in Canada, according to a report by RBC Economics.

"In Canada, the global recession has hit Ontario especially hard," said Craig Wright, senior vice-president and chief economist, RBC. "Activity fell the most in nearly 18 years in the final three months of last year and evidence so far this year indicates that, far from regaining its footing, the province's economy likely sank even deeper early in 2009, dragged down by the collapse of the auto manufacturing sector."

Housing construction has continued to slide, accelerating last spring's trend. Combined with the twin pressures of declining consumer demand for retail goods and automotives, this has led to Ontario's unemployment rate surging to a 12-year high of 9.4 per cent.

The report emphasized that the path ahead for the Ontario economy is fraught with uncertainty, particularly with respect to the fate of major motor vehicle and parts manufacturing operations in the province. With the auto industry expected to stabilize by next year, however, RBC forecasts that the provincial economy will show greater benefits from substantial monetary and fiscal stimulus in 2010.

In particular, stimulus spending on infrastructure should significantly boost construction activity in the province, and even greater stimulus south of the border should spur U.S. demand for Ontario products and services. According to RBC, these factors should increase economic growth in the province next year to a moderate rate of 2.2 per cent – still lower than the national average of 2.5 per cent.

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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