



SASKATCHEWAN ECONOMY TOPS PROVINCIAL RANKINGS, SAYS RBC

Impact of recession more muted than elsewhere

TORONTO, June 15, 2009 — While Saskatchewan remains the provincial growth leader in Canada, the U.S. and global recessions are nonetheless taking a toll on performance, according to the latest provincial forecast released today by RBC.

“Saskatchewan has been ahead of the pack in terms of economic growth since last year, but the province will show a significant slowdown as the global storm takes the steam out of mineral production and the labour market,” said Craig Wright, senior vice-president and chief economist, RBC. “We anticipate that Saskatchewan’s overall GDP growth will moderate to 0.7 per cent this year, still a notably better showing than elsewhere in the country.”

According to the report, there is weakened demand for various raw materials, with potash production plunging 53 per cent in the first quarter of this year, relative to the same period in 2008. In addition, the unemployment rate rose from its recent low of 3.8 per cent in November 2008 to 4.9 per cent in May 2009, despite ongoing job gains on a year-over-year basis. Saskatchewan continues to benefit from positive net inter-provincial migration, which reflects Saskatchewan’s relatively bright economic prospects.

While solid non-residential construction activity will be supplemented by the infrastructure spending ramp-up recently announced by the provincial government, performance of the overall construction sector is expected to be tempered by the projected cooling of residential activity. RBC forecasts that housing starts in Saskatchewan will be more than halved this year – dropping to 3,300 in 2009 from 6,800 in 2008 – before modestly reviving to 3,700 units next year, as the general economic environment improves.

With the U.S. economy anticipated to initiate a recovery by the latter half of this year and be sustained in 2010, demand for key Saskatchewan export products – including potash, grains, uranium and oil – should improve next year.

“We forecast a boost in income and continued strong business investment, both of which will contribute to further strengthening Saskatchewan’s growth, albeit modestly, to 2.8 per cent in 2010,” added Wright.

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:

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	Real GDP			Housing starts			Retail sales			Employment			Unemployment rate		
	Y/Y % Change			Thousands			Y/Y % Change			Y/Y % Change			%		
	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>	<u>08</u>	<u>09</u>	<u>10</u>
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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For more information, please contact:

Craig Wright, RBC Economics, (416) 974-7457

Paul Ferley, RBC Economics, (416) 974-7231

Stephanie Lu, RBC Media Relations, (416) 974-5506