



NEWS

ALBERTA'S ECONOMY LAGS BEHIND BUT SLUMP MAY END IN 2010: RBC ECONOMICS

TORONTO, September 16, 2009 — The Alberta economy is going through its roughest patch since 1982 with signs that the outlook won't brighten again until next year, according to a new report by RBC Economics.

"Signs of a burgeoning recovery apparent elsewhere in the country have yet to show much progress in Alberta," said Craig Wright, senior vice-president and chief economist, RBC. "In addition, the province's ongoing economic slump will likely be worsened by the summer's poor weather conditions, which will significantly affect crop results."

The report notes that the Alberta economy continues to endure the effects of earlier slowdowns in oil sands megaprojects, poor market conditions for natural gas and a severe drop in residential construction, all of which have been pulling down capital spending and employment. Consequently, RBC has revised its real GDP forecast for 2009 down to -2.8 per cent from the -2.5 per cent in the June outlook.

While a number of high-profile corporate deals in the oil sands sector indicate that investor interest is returning, capital expenditures on new projects are still lagging behind last year's levels. Drilling activity in the oil patch remains at deeply depressed levels, as development of new wells is being dampened by low natural gas prices and plentiful inventories across North America. Alberta's weak economic performance also helped push the province's jobless rate to a 13-year high of 7.4 per cent in August and discouraged consumer spending.

The report projects that Alberta's economy will nonetheless turn around in 2010, supported by increased global demand for commodities, rising consumer confidence and a return to more normal crop conditions. The upside to this year's rock-bottom

activity levels in housing construction, oil and gas drilling, consumer spending and weather-affected agricultural production is that those levels should be easily surpassed next year. Additionally, with oil prices expected to be sustained around \$77 (U.S.) per barrel, capital investment activity in the oil sands should intensify. As a result, RBC has revised its 2010 real GDP growth rate projections for Alberta slightly upward to 3.0 per cent from its earlier forecast of 2.9 per cent.

The main theme of the RBC Provincial Outlook is that, while the collective performance in Canada has largely unfolded as anticipated, recent developments on the provincial side indicate that the contraction in activity is more widespread than previously thought. In response, RBC has adjusted its forecast and is projecting that nine provinces will post negative growth in 2009, leaving Manitoba as the sole province expected to show positive, if modest, growth this year. RBC is forecasting that the economies of all ten provinces will expand in 2010, with western Canada leading the way. Saskatchewan and Nova Scotia are now expected to contract (due primarily to poor summer crop conditions and weakened capital spending, respectively). On the other hand, Ontario has shown encouraging signs that a rebound will emerge during the second half of this year, prompting a reduced rate of decline overall in 2009.

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	2.0	3.2	3.1	3.0	7.6	0.9	4.3	1.5	-2.4	1.1	13.2	15.4	15.5
P.E.I.	0.9	-0.1	2.0	0.7	0.6	0.7	5.6	-1.0	4.0	1.3	-2.0	1.2	10.7	12.7	12.9
N.S.	2.0	-0.4	2.6	4.3	3.3	3.5	4.2	-1.7	4.4	1.2	-0.1	1.0	7.7	9.3	9.6
N.B.	0.0	-0.8	2.7	4.2	3.6	3.5	5.9	-1.6	4.1	0.9	-0.2	0.7	8.6	9.3	9.8
QUE.	1.0	-1.9	2.2	47.9	40.5	39.0	5.1	-1.4	4.6	0.8	-1.0	1.1	7.2	8.8	9.4
ONT.	-0.4	-3.1	2.6	75.6	51.9	65.0	3.5	-3.1	4.1	1.4	-2.4	1.0	6.5	9.3	9.9
MAN.	2.4	0.1	3.0	5.6	4.2	5.3	7.2	-1.7	5.1	1.7	0.2	1.3	4.1	5.2	5.6
SASK.	4.4	-1.3	3.6	6.8	3.2	3.7	10.6	-1.3	5.8	2.2	1.5	1.0	4.1	4.9	5.3
ALTA.	-0.2	-2.8	3.0	29.0	17.1	28.0	-0.1	-7.3	5.6	2.7	-1.1	1.1	3.6	6.6	7.1
B.C.	-0.3	-2.6	3.2	34.3	14.8	24.0	0.3	-6.4	6.0	2.1	-2.5	2.1	4.6	7.7	7.6
CANADA	0.4	-2.4	2.6	211	142	176	3.4	-3.5	4.8	1.5	-1.6	1.2	6.1	8.5	9.0

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