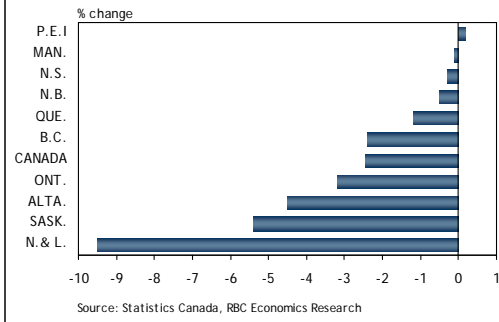


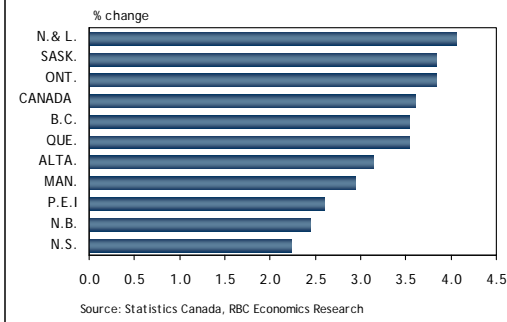
## PROVINCIAL OUTLOOK

June 2010

### Real GDP growth 2009



### Real GDP growth 2010



## Turning it on

Any doubt that the burst of economic activity in Canada late in 2009 was a one-off phenomenon quickly dissipated, as growth emerged even stronger early this year. Real GDP at the national level grew by an impressive 6.1% in the first quarter of 2010, besting the solid 4.9% rate achieved in the previous quarter. Evidence of sustained strength was also visible in the job market, where jobs have been created at a rising pace. At the provincial level, recent developments confirm that the growth switches have now been turned on in every province, alleviating earlier concerns that some provinces were at risk of being left in the dark. Economic recoveries are rarely felt evenly or simultaneously across different parts of the economy and the country, and this recovery is no different. If the early stages of this cyclical upturn, unsurprisingly, still looked sluggish in provinces such as Alberta, the second consecutive quarter of strong growth nationally (even continentally) brought light to all.

That being said, the pace of growth varies considerably and is expected to continue to do so during the remainder of this year. To borrow the phrase used by the International Monetary Fund to characterize the global economy, a multi-speed recovery is taking shape across Canadian provinces. Interestingly, the provincial economies projected to grow the fastest in 2010 (Newfoundland & Labrador, Saskatchewan, Ontario, British Columbia and Quebec), by and large, were the ones contracting the most last year, with some exceptions. Conversely, economies that suffered the least from the recession (Prince Edward Island, Manitoba, Nova Scotia and New Brunswick) are forecasted to place at the lower end of the growth rankings this year.

This forecast update reflects changes to the 2009 growth estimates that we made following the release in April of Statistics Canada's preliminary figures of provincial real GDP by industry. It must be noted that our estimates for 2009 vary somewhat from Statistics Canada's, because we base them on a different measurement concept (expenditure-based real GDP from the provincial accounts). Publication of the official, expenditure-based estimates for 2009 by Statistics Canada has been delayed until in the fall.

With respect to our 2010 forecast, this update shows several growth upgrades relative to the March *Provincial Outlook* (and no downgrades). The largest upward revisions were for Quebec (to 3.5% from 2.8% previously), Alberta (to 3.1% from 2.5%), Ontario (to 3.8% from 3.3%) and Prince Edward Island (to 2.6% from 2.1%).

The opposite is true for our 2011 projections, where almost all revisions were on the downside – to reflect the bringing forward of growth to 2010. Most of the downgrades were modest (between 0.1 and 0.4 percentage points), al-

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though Ontario and Nova Scotia were more negatively affected. The only exception is Newfoundland & Labrador, for which growth has been boosted modestly to account for an improved outlook for capital investment in that year.

### British Columbia – Broad-based recovery taking shape

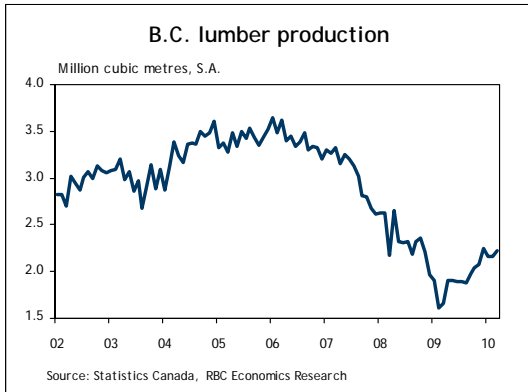
What a difference a year makes! At this time in 2009, British Columbia's economy was struggling to pull itself from its deepest slump since 1982, with many of its industrial sectors barely breathing and unemployment surging. Fast forward to the spring of 2010 and the picture has significantly improved. To be sure, the Winter Olympics provided some help to the economy, but amelioration persisted beyond February. Economic indicators now suggest that a fairly broad-based recovery is taking hold in the province and that the overall growth this year, projected at 3.5% (unchanged from the March *Provincial Outlook*), will be the strongest since 2006. Moreover, this recovery is expected to be sustained and carried into 2011 largely intact.

One of the more encouraging developments in the provincial economy this year is the return to life of the long-suffering forest products sector. In particular, the softwood lumber industry is benefiting from market conditions that are finally showing signs of turning around, with prices recently hitting four-year highs. After free falling from early 2006 until a 19-year low in the spring of last year, B.C. lumber production is rising once again – although levels remain far below where they used to be. Similarly, B.C. pulp producers are enjoying greatly improved markets, because prices closed in on record levels in recent months. On the other hand, stronger output prices have yet to reignite the province's newsprint industry, which continues to show declining production. Nonetheless, overall, British Columbia's forest products sector has likely turned the corner, and prospects in the period ahead should be bolstered by a strengthening in the global economy and further healing in the U.S. housing sector.

This recovery is expected to go a long way in repairing the province's exports performance, which has been hit hard during last year's recession. Gains in the mining – where global markets have tightened considerably in the past year – and energy sectors should also provide some help.

On the domestic front, the B.C. economy is feeling the strong push from policy action on many levels. As elsewhere in the country, work on public buildings and infrastructure is generating much activity on the non-residential side of the construction sector. Exceptionally low interest rates contributed to a spectacular rebound in the B.C. housing market in the past year. While the red-hot pace of home resales has begun to cool in the past few months, the positive effects on new home construction is still being felt. Some moderation is expected later this year, however, because the introduction of the HST on July 1 will likely cause a temporary lull in demand.

With the B.C. economy on the mend and job gains accumulating, consumers in the province feel re-energized. More confident B.C. consumers are spending again at shopping malls – despite showing some hesitation in pulling the trigger on new motor vehicle purchases of late. Retail sales in the province



have nearly fully recovered their declines realized during the recession. This year's overall retail sales are expected to show their strongest growth (7.2%) since 2007, benefitting in part from the 2010 Winter Olympics.

All things considered, the B.C. economy appears to be on track to grow at a respectable rate of 3.5% in 2010, a significant improvement from the 2.4% contraction last year. The outlook for next year calls for this pace to moderate slightly to 3.3%.

## Alberta – Kicking into gear

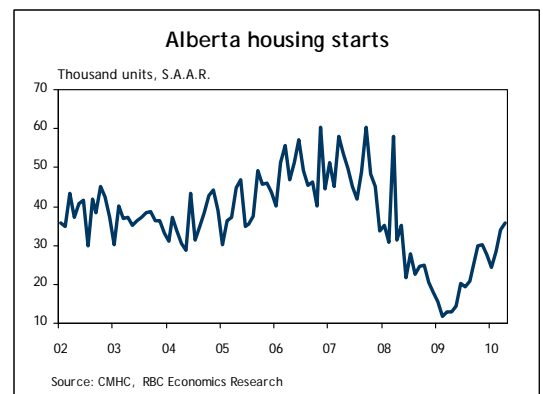
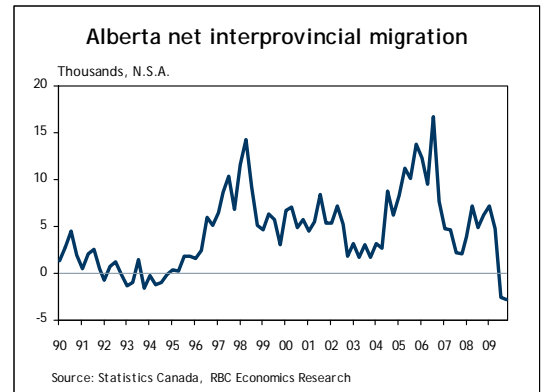
Concerns that Alberta would remain stalled in this recovery are finally dissipating, as signs of a pick up in activity are becoming more apparent. Key sectors that lost power last year, such as construction and investment, are finally kicking into gear. It must be said that the recession delivered a particularly tough blow to the province's economy, which contracted for the first time since 1986. In fact, the downturn last year has been deeper than we previously thought. The release, in April, of Statistics Canada's preliminary estimate of provincial real GDP by industry for 2009 prompted us to cut our growth estimate for last year to -4.5% from -3.7% in the March *Provincial Outlook*. The slump in residential construction, oil and gas services, machinery manufacturing and retail trade had particularly damaging effects.

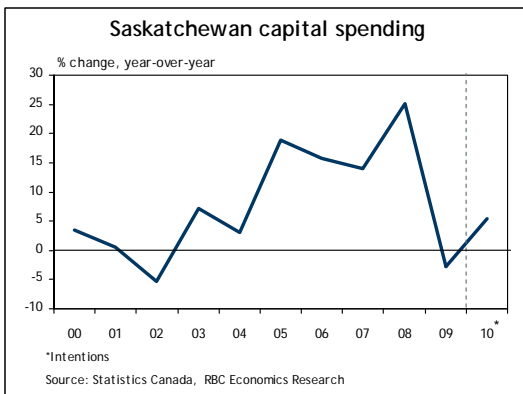
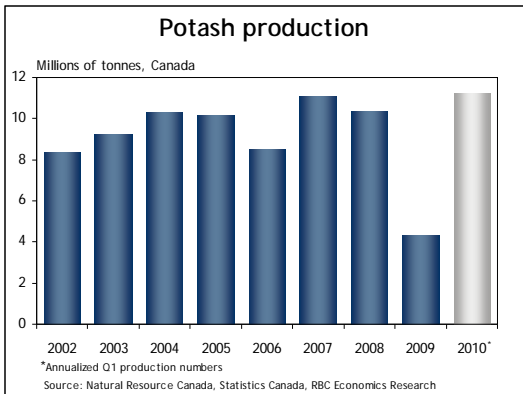
Fortunately, there is mounting evidence that hard-luck sectors are no longer subtracting from growth. Chief among them is the housing sector where the strong rebound in resale activity last year has re-ignited new home construction. Despite some moderation in the pace of resales in recent months, housing starts have continued to rise rapidly so far this year, with levels this spring about three times those that prevailed a year ago. Because this vigour is stronger than we previously expected, we have revised higher our housing starts forecast for Alberta by 5,000 units to 32,600 units in 2010.

On the non-residential investment side, there is renewed interest in Alberta's oil and gas sector – reflecting both improved market conditions and recent changes to the province's royalty regime that restored Alberta's royalty competitiveness against other jurisdictions. So far this year, land sales for oil and gas development have surged in value and acreage. Oilsands and conventional licences are also up relative to last year. Activity during this winter's drilling season picked up considerably from depressed levels, and the industry now expects the higher drilling levels to be sustained throughout the remainder of this year. With major oilsands projects continuing to move forward, this should go a long way toward boosting non-residential investments in the province.

Finally, consumer spending is swinging back. Retail sales rose strongly in the first quarter of 2010, with new car dealerships posting their biggest advance (in terms of unit sales) since the middle of 2006. Alberta is now forecasted to show the fastest growth in retail sales among the provinces, after experiencing the sharpest decline last year.

While the provincial economy is clearly kicking into gear, this has yet to improve the job market in any substantial way. Employment in Alberta has been





mostly stagnant in the past year, and the unemployment rate is still near its highest point in 14 years — although some positive signs emerged in May. This lacklustre performance — especially compared to visibly improving prospects elsewhere in the country — appears to have dimmed the attractiveness of the province as a place for other Canadians to move. In recent quarters, Alberta has shown its first net inter-provincial migration losses since 1994. Nonetheless, as the recovery shifts into higher gear in the period ahead, steady gains in jobs are expected, which should help re-establish positive immigration flows.

Overall, the outlook for Alberta is now looking a little better relative to its March forecast; therefore, we have boosted real GDP growth in the province to 3.1% in 2010 from 2.5% previously. We project even stronger growth of 4.2% (revised lower from 4.4% previously) next year as the recovery spreads more broadly across industrial sectors.

### Saskatchewan — Fertilizing growth

During much of 2009, weakening commodity markets, particularly demand for potash, resulted in regular downward revisions to economic growth projections in Saskatchewan. The recent release of preliminary provincial real GDP estimates for 2009, however, showed that those lower forecasts were not low enough! We have, thus, cut further our 2009 growth estimate to -5.4%, significantly worse than the already dreadful 3.0% decline projected in the March *Provincial Outlook*. Nevertheless, despite this further downward revision, we still expect a strong rebound in the Saskatchewan economy this year and next.

The weakness in potash last year largely reflected a cutback in global agricultural fertilizer demand in the face of weak economic conditions and high prices following the sharp run-up during 2008. Against this backdrop, Canadian potash production (which is dominated by operations in Saskatchewan) dropped almost 60% in 2009; however, more recently, lower prices, rebounding global activity and the need to replenish the nutrient level of agricultural lands have caused potash production to rebound sharply, rising almost 200% in the first quarter relative to year-ago levels. Although the extent of the improvement could well taper off as the year progresses, activity looks poised to reverse 2009's decline.

Rising global demand bodes well for a recovery in a number of energy commodity prices that are important to the Saskatchewan economy such as oil and uranium. Our expectation is that the improvement may be modest this year although with greater strength emerging in 2011. Rising commodity prices will stimulate natural resource output in the province and boost export revenues, providing support for income growth in Saskatchewan. Such improving conditions will also form the basis for higher capital investment spending in the province. Evidence of this was found in the Private and Public Investment Intentions survey conducted by Statistics Canada. The survey indicated a planned 5.5% rise in business investment this year after flat growth in 2009. The positive outlook for capital spending was reinforced this spring, when a major potash producer in Saskatchewan announced a plan to invest more than \$1 billion in the expansion of its operations in the province in 2010 alone. This

implies some possible upside to capital expenditures. Moreover, our expectation of further improvement in natural resource prices next year augurs well for an even greater rise in capital spending in 2011 not only in potash capacity but also in that of other natural resource commodities.

Some recent economic releases have provided confirmation that economic conditions appear to be on the mend. For example, retail sales growth in the first quarter of 2010 was up 4.3% compared to a rise of 2.6% in the fourth quarter of last year and declining activity during the first three quarters of 2009. However, the improvement in the labour market has been more tentative with employment rising 0.6% in April and May, marginally stronger than the 0.5% first quarter pace and the very small 0.1% gain in the final quarter of 2009. Our forecast assumes that a strengthening trend will be sustained with employment growth accelerating to 1.8% in 2010 and 2.8% in 2011. Rising employment and strengthening capital spending are expected to send growth in the province up 3.8% this year and a very strong 4.4% in 2011, not only returning Saskatchewan above the national average in both years (which are 3.6% and 3.5%, respectively) but also putting the province ahead of all others in 2011.

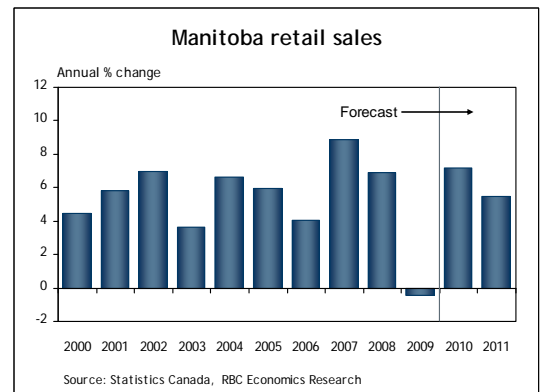
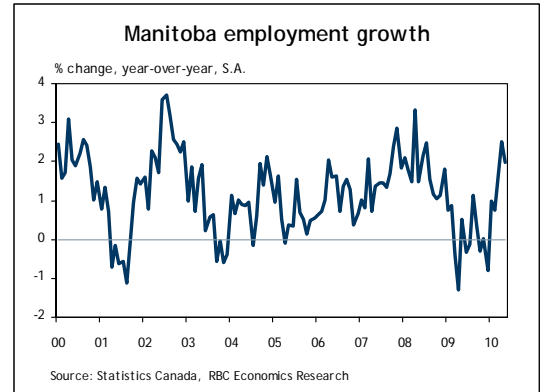
### Manitoba – Strong start to 2010

The Manitoba economy continues to show signs of rebounding strongly in the early stages of 2010. Very impressive has been the labour market where employment growth picked up to the 2-2.5% range in April and May relative to year earlier levels. The improvement in the employment situation has likely been a prominent factor in the rapid recovery in retail spending. In the first quarter, sales were up significantly by 8.2% year-over-year.

In the face of this stronger than anticipated start to 2010, we have upgraded our outlook for growth in the province this year to 2.9% from 2.5% projected in the March *Provincial Outlook*. However, this represents some bringing forward of activity from next year, as we have reduced slightly our growth forecast for 2011 by 0.3 percentage points to 3.7%.

The extent of the upward revision to growth this year has been tempered by indications that investment spending will likely decline 1.5% this year after increasing about 5% in 2009. The rise in capital spending in 2009 reflected expenditures on a number of large projects such as the Keystone pipeline. Although overall GDP growth in the province in 2009 is estimated at -0.1%, capital spending, along with manufacturing holding up better compared to elsewhere in Canada, resulted in the province markedly outperforming the national economy where activity declined by 2.5%. However, the winding down in 2010 of a number of these large projects will limit the extent of the rebound in overall GDP this year.

Supporting growth both this year and next are expectations of a gradual improvement in manufacturing activity. Manufacturing sales in the province have yet to show sustained increases, but rates of decline have been easing recently. As the U.S. and other Canadian provincial economies recover during the remainder of this year and next, demand for key Manitoba outputs such as transportation equipment (particularly aerospace and buses) and machinery



equipment should contribute to manufacturing sales growth returning later this year and in 2011.

Positive GDP growth in both 2010 and 2011 will also be supported by the recovery in base metal markets since last year's lows. The positive impact on mining production will be further enhanced by the start up of production at new mines in the province. The metal market recovery prompted the development of new mining capacity with more expenditures to occur this year and next.

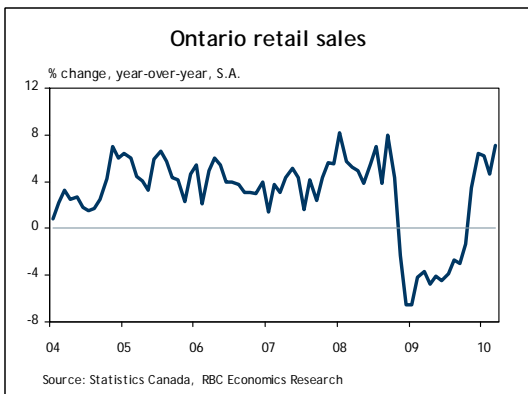
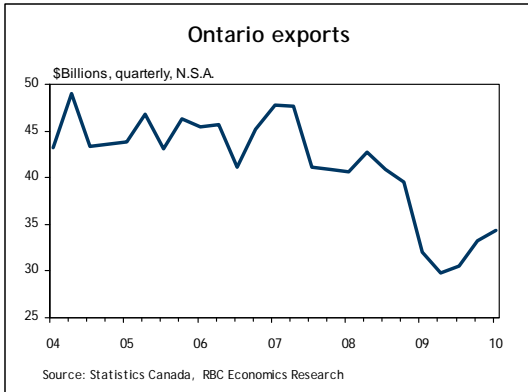
### Ontario – Back in the fast lane

Ontario's economy entered 2010 with renewed vigour, carrying its strongest momentum in almost six years. While growth made its return last summer, the pace took off in a big way late last year with real GDP in the province surging 6.3% at an annualized rate in the fourth quarter (based on Ontario Ministry of Finance figures) on the impulse of higher exports, residential investment and spending by government and consumers. The evidence so far this year suggests that this strong pace is being sustained early in 2010. Recovery in the key drivers is continuing, supported by improving demand south of the border and substantial stimulus from fiscal and monetary policies at home. This impressive start to 2010 implies greater strength overall this year than earlier believed, which has led us to revise our growth forecast upward to 3.8% from 3.3% in the March *Provincial Outlook*, which would be the fastest annual growth in 10 years in the province.

However, Ontarians will be forgiven for not feeling particularly overjoyed at this point. The recession has been brutal in the province, and the wounds it caused have yet to heal fully. Activity in key sectors – including manufacturing – is still well off their pre-recession levels, and the 16-year high unemployment rate reached last summer is coming down only slowly. Reversal of the one-quarter of a million job losses during the recession is just about 60% done. Meanwhile, the province is now a member of the equalization program's 'have-not' clan, as the provincial government projects record deficits and a slow return to balance (eight years). Therefore, it will take a little longer for the recovery to be more widely acknowledged and shared.

Nonetheless, sustained growth should work its magic and create a stronger sense that the provincial economy is indeed in the clear later this year once its level of activity has fully retraced the ground lost during the recession. Progress is expected to come from many fronts. On the external trade side, Ontario's exports should generally benefit from a recovering U.S. economy. In particular, U.S. demand for motor vehicle sales has picked up modestly since the fall, and further gains are expected going forward. This demand should boost motor vehicle production in the province, which so far has recovered roughly three-quarters of the losses suffered during the meltdown in 2008 and early 2009.

On the domestic side, the building sector should continue to be a main engine of the recovery. Capital spending by all levels of government will fuel non-residential construction, as work supported by the federal government's Action Plan – and matched by provincial and municipal contributions – shifts



into top gear this construction season with the deadline for completion looming in March 2011. On the other hand, residential investment is likely to moderate to some extent in the second half of this year, although levels should remain well above last year's lows. As consumer confidence increasingly strengthens, household expenditures are expected to trend higher, although spending on services could run into some turbulence in the period following the introduction of the HST because it will tax many services at the provincial level for the first time. Ontario retail sales for 2010 are projected to grow at their fastest rate (5.5%) since 2002, although this would be slower than the national average.

While the HST will likely be met with some apprehension initially, moving to a value-added tax structure will make the tax system more economically efficient and will improve the competitiveness of Ontario businesses by lowering the cost of doing business in the province. The benefits of such a tax system will accrue during the medium to longer term. One of the short-term consequences, however, will be a small one-time increase in the Consumer Price Index of Ontario.

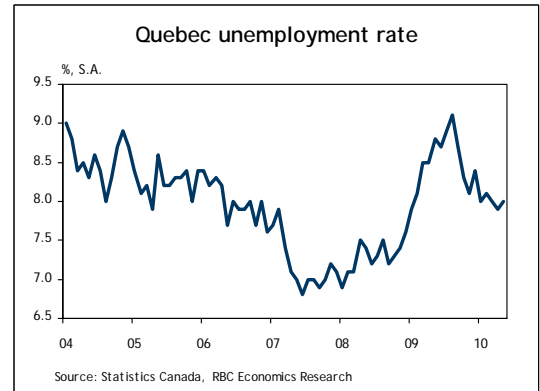
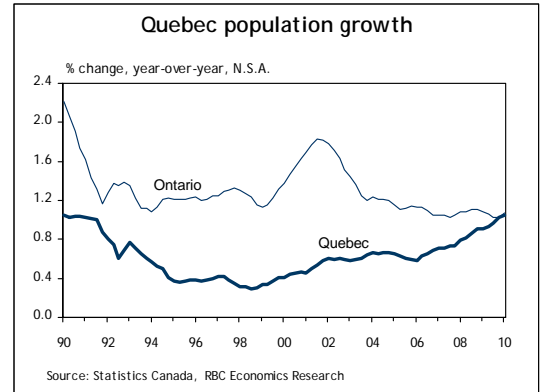
Looking ahead to 2011, most of the renewed vigour in the provincial economy is expected to be sustained; however, some modest moderation in growth is now forecasted with the rate revised lower to 3.5% from 4.1% in March.

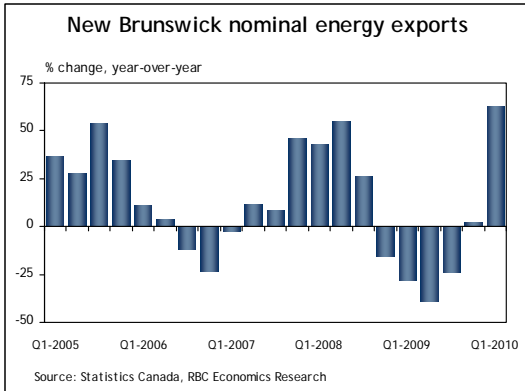
### Quebec – Recovery spreading

After emerging from the recession with fewer bruises than many other provinces, Quebec's economy ended 2009 on a strong note. According to *Institut de la statistique du Québec* figures, real GDP in the province grew at its fastest rate (5.2% annualized) in the fourth quarter since the middle of 2007. Although the pace has likely moderated slightly early this year, the evidence so far suggests that the recovery is spreading across the economy. Whereas growth was primarily driven by hefty stimulus actions, and the rebound in housing and mining in the fourth quarter, it has been supplemented in the first quarter by a pick up in activity in services and a number of manufacturing industries. In the services sector, strong gains have been registered in wholesale and retail trade, transportation and professional services. In the manufacturing sector, business improved for producers of machinery, furniture and wood products among others. Even long-suffering paper manufacturers showed encouraging signs of finally turning the corner (hopefully, it will last).

Such broadening in recovery participation will be particularly important later this year and next, when policy stimulus is gradually withdrawn. With growth becoming less reliant on stimulus measures, Quebec's economy should be able to transition fairly smoothly to a more 'normal' policy environment. That being said, still exceptionally low interest rates (even if rising) and peak infrastructure spending this year should continue to fuel activity in the province in 2010.

One of the sectors that substantially benefited from low interest rates has been housing. Sales of existing homes in the province snapped back from last year's lows and reached record levels this winter (although they eased a little in April). The resulting tight market conditions launched prices to all-time





highs. In turn, solid demand and the relative scarcity of properties available for sale prompted Quebec home builders to join the fray. New home construction picked up considerably, with housing starts in the province back at their general levels of 2004 to 2007. The recent surge in building permits suggests that starts should remain strong in the near term. It is interesting to note that, while attractive interest rates no doubt represent the key factor supporting housing activity at present, improving demographics are also likely contributing. More specifically, population growth is on an upswing in the province and is now the strongest it has been since 1991. In fact, it matches Ontario's rate for the first time since 1976!

Meanwhile, brighter employment prospects are helping to restore consumer confidence. The job market in Quebec has fully recovered the losses during the recession and then some. Since peaking at 9.1% last August, Quebec's unemployment rate has come down faster than in the rest of Canada, leaving a sense among households that more prosperous times are indeed returning, which has filled shopping malls and car dealerships with motivated buyers once again. Retail sales are on pace this year to post their fastest growth since 1999.

All told, Quebec's economy is forecasted to make significant headway into positive growth territory this year, rebounding by 3.5% following a contraction of 1.2% in 2009 (revised from 2.8% and -1.7%, respectively, in the March *Provincial Outlook*); however, momentum is projected to decelerate a little next year to 3.3% (from 3.5% previously), as the economy adjusts to the withdrawing of policy stimulus.

### New Brunswick – Poised to return to growth

After a rough 2009 in which weak external conditions and soft commodities markets caused an estimated contraction of 0.5%, the economy of the Loyalist Province is poised to return to growth in 2010, which is forecasted at 2.4% (unchanged from the March *Provincial Outlook*). Already through one quarter of the year, New Brunswick has benefitted from firmer commodity markets and increased U.S. demand. Manufacturing shipments were up by close to 16% in the first quarter, led by a strong rise in non-durables. Nominal exports surged by a whopping 35% in the same period, propelled by a 52% increase in energy products (thanks in large part to the first full quarter of production at the Canaport LNG regassification plant), with forestry products, industrial goods and materials, and automotive products also showing renewed strength. On the domestic side, while the province's job market has been mostly stagnant so far this year, workers' earnings have continued to trend higher. The after-tax effect of those gains has been further enhanced by the second stage of the Province's income tax reform that came into effect on January 1. In turn, the improvement in incomes has supported solid increases in retail sales, especially those of new motor vehicles. Housing construction activity has shown signs of easing recently, with housing starts and building permits slowing, but strength remains in non-residential construction (up 2.9% in the quarter), thanks to the continued support from the Provincial government's two-year, \$1.6 billion, infrastructure stimulus plan.



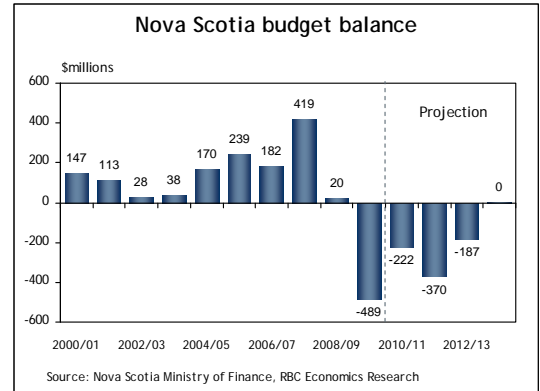
As the year progresses, we expect improving economic conditions to support job creation and income growth that, in turn, will boost housing and consumer spending. New Brunswick exporters are seen to benefit from continued improvement in the U.S. economy. In 2011, the considerable support provided by the government through the downturn will be scaled back as the province works to balance its books by 2014-15. Any dampening effect on overall growth in the province, however, is expected to be more than compensated by stronger activity in the 'private' economy. In particular, the primary and manufacturing industries are expected to show further gains as the U.S. economy picks up speed. Nevertheless, the lack of major construction projects in the pipeline is now believed to remove more support to the provincial economy than previously thought, leading us to revise down our 2011 forecast growth to 2.9% from 3.3% in the March *Provincial Outlook*.

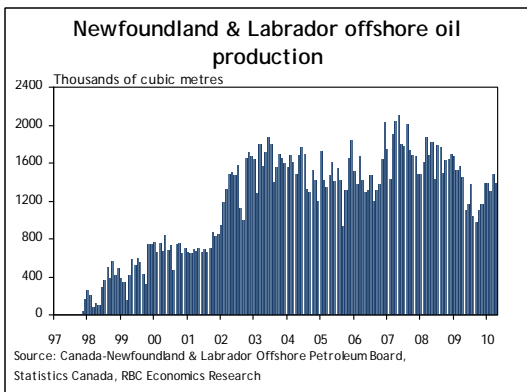
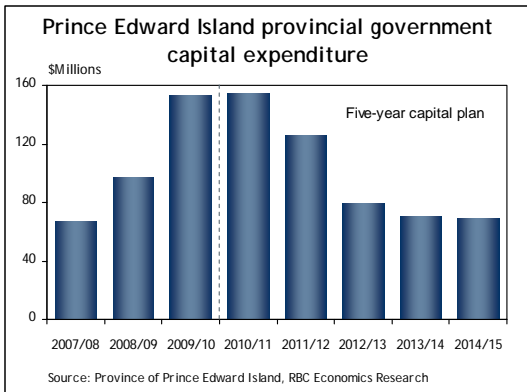
### Nova Scotia – Facing some headwind

Although Nova Scotia fared substantially better than most other provinces last year, it now appears that the province still saw its economy contract by 0.3% (revised lower from flat growth in the March *Provincial Outlook*). The resilience of its domestic economy proved no match to the damage sustained on its external side caused by weak international demand, soft commodity prices and declining production at maturing offshore natural gas fields. Fortunately, the evidence so far this year indicates that the momentum is building again despite persisting weakness in certain sectors. For instance, energy production is still on a declining trend, causing a drop of nearly 50% in energy exports (in nominal terms) in the first quarter. The delay in the start of production at Deep Panuke until next year means that output will likely fall again this year. However, the improving U.S. economy and firming commodity prices are brightening the outlook for the province's other key exports (including tires and newsprint) in 2010

On the domestic side, continued gains in workers' earnings supported solid gains in retail spending in the first quarter (up 2.9%), and with the economy projected to add jobs through the rest of the year, we expect consumer spending growth to continue to be positive. Those same factors should also benefit housing demand after a weak 2009; nevertheless, the 2 percentage point rise in the HST coming in July and the addition of an income tax bracket for high-income earners announced in the 2010 Budget will have a dampening effect on both consumer spending and housing activity. The provincial government will continue to stimulate non-residential investment with around \$700 million of infrastructure spending this year. With work on mid-sized capital projects proceeding, this should help offset the winding down of construction at Deep Panuke. We expect Nova Scotia to expand at 2.2% in 2010 (unchanged from our March *Provincial Outlook*), the weakest rate of growth among the provinces.

Going forward, the main development for Nova Scotia will be the start of gas production at Deep Panuke in 2011. The increased capacity as well as a positive price environment has led to speculation that natural gas production could rise by 60% in the province, and exports surge at a similar rate. The other key exports sectors should also benefit from further strengthening in U.S. demand,





contributing to faster growth in employment. However, fiscal tightening resulting from this year's tax increases and the lapsing of the Federal and Provincial stimulus measures, as well as an anticipated lull in private sector capital investment will create significant headwind for the Nova Scotia economy in 2011. As a result, we have downwardly revised our call for next year's real GDP growth to 2.1% from 2.9% in our March *Provincial Outlook*.

### Prince Edward Island – Still riding public spending wave

Prince Edward Island was the lone province to escape economic contraction in 2009, with real GDP in the Garden Province eking out an estimated 0.2% gain. Strong labour income growth supported the housing market (PEI was the only province to see an increase in housing starts), and the infusion of public infrastructure stimulus more than offset the falloff in private non-residential investment. So far in 2010, the labour market remains quite vibrant with more jobs being created and wage gains registered in the first quarter. This supported strong increases in retail sales. We expect employment growth to remain brisk, overall, this year, ahead of all other provinces in percentage terms.

The public sector will remain a strong generator of construction activity, as it moves ahead with Year Two of its five-year, \$500 million, capital spending plan, which will involve the largest outlays of the plan. Such strong spending on the non-residential side should more than compensate for an expected softening in residential investment. On a negative note, however, weakness in the traditional agri-food sector (which accounts for more than 50% of the province's merchandise exports) is likely to persist. Two major food producers have recently scaled back their purchases of potatoes because of poor U.S. demand. Overall, we expect the PEI economy to expand by 2.6% in 2010 (revised higher from 2.1% in the March *Provincial Outlook*), a full percentage point below the national average

In 2011, continued public sector infrastructure spending combined with increasing private sector investment activity should provide a solid base for further growth. This will be supplemented by improving global demand for the province's agricultural resources, sustained strength in the emergent aerospace and technology industry, and a pick-up in island tourism. Real GDP growth is forecast to accelerate slightly to 2.8% (down from 3.2% previously), which would be below the national average.

### Newfoundland & Labrador – (Re)setting the pace

Newfoundland & Labrador faced a rough 2009 in which steep production declines in crude oil, metal ore mining (largely related due to prolonged labour dispute) and forest products (stemming from the closing of a major paper mill early in the year) resulted in a nation-worse economic contraction, estimated at 9.5% (revised down significantly from -4.5% in the March *Provincial Outlook*). The turning of the calendar brought with it the promise of a return to growth, and we expect The Rock to reverse its position completely by leading the country with a forecast growth of 4.1% this year (unchanged). While offshore oil production is projected to continue to ease at the three main sites due to their further maturing, the start-up of operations at the North Amethyst satellite oilfield in June will provide an offset. As well, stronger global demand

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for refined products is anticipated to drive up production at the Come-by-Chance refinery, helping to boost the province's overall energy exports. The metal mining sector is expected to see a big boost from increased productive capacity for iron ore and the resumption of production at nickel mining operations.

The domestic side of the provincial economy, which fared surprisingly well in 2009, will continue to be a source of strength this year and next. In the first few months of 2010, the provincial labour market made impressive gains, including the biggest monthly rise in jobs in 12 years in May. This is supporting retail spending, which grew by a solid 4.1% in the first quarter, and maintaining residential construction at historically high levels. Non-residential investment also will contribute strongly to domestic activity this year, with the Private and Public Investment Intentions survey conducted earlier indicating that non-residential investment will grow at the fastest pace in the country, surging by a whopping 31.2%.

The provincial economy is forecast to slow in 2011 from its torrid pace, but sustained investment in the mining and energy sectors, combined with a slight gain in crude oil production from a full-year contribution from the North Amethyst oilfield satellite expansion, will help the province to achieve a 2.3% rise in real GDP next year (revised up from 2.1% in our March *Provincial Outlook*).

## Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Employment				Unemployment rate				Housing starts				Retail sales				CPI			
									%				Thousands											
	08	09	10	11	08	09	10	11	08	09	10	11	08	09	10	11	08	09	10	11	08	09	10	11
N. & L.	0.5	-9.5	4.1	2.3	1.5	-2.4	2.4	1.7	13.2	15.4	15.0	14.3	3.2	3.2	3.7	3.1	7.6	2.7	7.1	5.0	2.9	0.3	2.8	2.3
P.E.I.	0.5	0.2	2.6	2.8	1.3	-1.1	3.8	0.9	10.7	12.0	10.4	10.2	0.7	0.9	0.6	0.8	5.6	-0.3	6.8	4.0	3.4	-0.1	2.4	2.3
N.S.	2.2	-0.3	2.2	2.1	1.2	-0.1	0.7	1.8	7.7	9.2	8.8	8.4	4.3	3.4	3.9	3.8	4.2	0.3	5.8	3.8	3.0	-0.1	2.3	2.3
N.B.	0.0	-0.5	2.4	2.9	0.9	0.1	0.6	1.5	8.6	8.9	8.7	8.5	4.2	3.5	3.8	3.5	5.9	-0.1	6.4	4.0	1.7	0.3	2.9	2.3
QUE.	1.0	-1.2	3.5	3.3	0.8	-1.0	1.8	2.1	7.2	8.5	7.9	7.5	47.9	44.0	49.8	44.8	5.1	-0.9	7.1	4.4	2.1	0.6	1.7	2.2
ONT.	-0.5	-3.2	3.8	3.5	1.4	-2.4	1.6	2.5	6.5	9.0	8.7	7.9	75.6	50.1	59.6	59.5	3.5	-2.4	5.5	4.9	2.3	0.4	2.3	2.3
MAN.	2.0	-0.1	2.9	3.7	1.7	0.0	1.7	2.2	4.1	5.2	5.1	4.5	5.6	4.0	5.0	5.5	7.2	-0.9	7.2	5.5	2.2	0.6	1.4	2.2
SASK.	4.2	-5.4	3.8	4.4	2.2	1.5	1.8	2.8	4.1	4.8	4.9	4.5	6.8	3.8	5.0	5.1	10.6	-2.3	5.3	5.7	3.2	1.1	1.7	2.8
ALTA.	0.0	-4.5	3.1	4.2	2.7	-1.3	0.7	3.0	3.6	6.6	7.0	6.1	29.0	20.0	32.6	34.3	-0.1	-8.4	7.7	5.9	3.2	-0.1	1.6	1.9
B.C.	0.0	-2.4	3.5	3.3	2.1	-2.4	1.9	1.8	4.6	7.6	7.5	6.6	34.3	16.0	25.3	24.5	0.3	-5.1	7.2	5.2	2.1	0.0	1.4	2.1
CANADA	0.5	-2.5	3.6	3.5	1.5	-1.6	1.6	2.3	6.1	8.3	8.0	7.3	212	149	189	185	3.4	-3.0	6.5	5.0	2.4	0.3	1.9	2.2

## Key provincial comparisons

2008 unless otherwise indicated

	<u>N. &amp; L.</u>	<u>P.E.I.</u>	<u>N.S.</u>	<u>N.B.</u>	<u>QUE</u>	<u>ONT</u>	<u>MAN</u>	<u>SASK</u>	<u>ALTA</u>	<u>B.C.</u>
Population (000s) (2009)	509	141	938	749	7,829	13,069	1,222	1,030	3,688	4,455
Gross domestic product (\$ billions)	31.3	4.6	34.2	27.4	302.2	587.8	50.8	63.5	291.3	197.9
Real GDP (\$2002 billions)	20.0	4.1	29.2	23.4	269.7	532.2	42.4	41.6	185.8	164.5
Share of Canada real GDP (%)	1.5	0.3	2.2	1.8	20.5	40.4	3.2	3.2	14.1	12.5
Real GDP growth (CAR, last five years 03-08, %)	2.8	1.9	1.2	1.4	2.0	1.9	2.7	3.0	3.6	3.1
Real GDP per capita (\$)	39,206	29,422	31,140	31,157	34,445	40,722	34,704	40,367	50,379	36,928
Real GDP growth rate per capita (CAR, last five years 03-08, %)	3.2	1.6	1.3	1.5	1.3	0.8	2.0	2.6	1.1	1.8
Personal disposable income per capita (\$)	24,683	22,917	25,466	25,010	25,258	28,481	26,018	28,321	35,978	27,914
Employment growth (CAR, last five years 04-09, %)	0.1	0.8	0.5	0.9	0.9	0.7	1.0	1.6	2.5	1.8
Employment rate (April 2010, %)	50.8	62.2	58.5	58.9	60.3	61.4	66.3	66.9	68.0	61.2
Discomfort index (inflation + unemp. rates, April 2010)	17.5	11.8	11.1	11.4	9.8	11.0	5.9	7.3	9.0	8.3
Manufacturing industry output (% of real GDP) (2009)	4.4	9.5	8.9	11.0	16.1	15.0	11.1	7.7	7.8	8.2
Personal expenditures goods & services (% of real GDP)	54.7	71.4	71.8	69.0	64.1	60.1	64.5	58.6	53.2	69.5
International exports (% of real GDP)	37.8	29.7	23.4	41.5	33.6	42.5	32.3	37.6	36.9	26.8

## British Columbia

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	146,541	153,489	159,916	164,519	164,520	160,572	166,256	171,809
	% change	3.6	4.7	4.2	2.9	0.0	-2.4	3.5	3.3
Employment	thousands	2,063	2,131	2,195	2,266	2,314	2,259	2,302	2,343
	% change	2.4	3.3	3.0	3.2	2.1	-2.4	1.9	1.8
Unemployment rate	%	7.2	5.9	4.8	4.2	4.6	7.6	7.5	6.6
Retail sales	\$ millions	47,217	49,286	52,837	56,365	56,562	53,675	57,532	60,529
	% change	6.3	4.4	7.2	6.7	0.3	-5.1	7.2	5.2
Housing starts	units	32,925	34,667	36,443	39,195	34,250	16,042	25,300	24,500
	% change	25.8	5.3	5.1	7.6	-12.6	-53.2	57.7	-3.2
Consumer price index	2002=100	104.2	106.3	108.1	110.0	112.3	112.3	113.9	116.3
	% change	2.0	2.0	1.7	1.7	2.1	0.0	1.4	2.1

## Alberta

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	163,564	170,872	181,418	185,870	185,780	177,420	182,991	190,677
	% change	5.3	4.5	6.2	2.5	0.0	-4.5	3.1	4.2
Employment	thousands	1,757	1,784	1,871	1,959	2,013	1,988	2,001	2,062
	% change	2.4	1.5	4.8	4.7	2.7	-1.3	0.7	3.0
Unemployment rate	%	4.6	3.9	3.4	3.5	3.6	6.6	7.0	6.1
Retail sales	\$ millions	43,372	48,493	55,942	61,160	61,069	55,956	60,244	63,802
	% change	10.3	11.8	15.4	9.3	-0.1	-8.4	7.7	5.9
Housing starts	units	36,270	40,847	48,962	48,336	28,967	19,983	32,600	34,300
	% change	0.3	12.6	19.9	-1.3	-40.1	-31.0	63.1	5.2
Consumer price index	2002=100	105.9	108.1	112.3	117.9	121.6	121.5	123.4	125.8
	% change	1.4	2.1	3.9	4.9	3.2	-0.1	1.6	1.9

## Saskatchewan

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	37,741	38,904	38,520	39,896	41,583	39,338	40,848	42,645
	% change	5.1	3.1	-1.0	3.6	4.2	-5.4	3.8	4.4
Employment	thousands	480	483	492	502	513	521	530	545
	% change	0.8	0.8	1.7	2.1	2.2	1.5	1.8	2.8
Unemployment rate	%	5.3	5.1	4.7	4.2	4.1	4.8	4.9	4.5
Retail sales	\$ millions	10,259	10,796	11,495	12,984	14,360	14,036	14,782	15,632
	% change	4.1	5.2	6.5	13.0	10.6	-2.3	5.3	5.7
Housing starts	units	3,781	3,437	3,715	6,007	6,792	3,792	5,000	5,100
	% change	14.1	-9.1	8.1	61.7	13.1	-44.2	31.9	2.0
Consumer price index	2002=100	104.6	106.9	109.1	112.2	115.9	117.1	119.1	122.5
	% change	2.2	2.2	2.0	2.9	3.2	1.1	1.7	2.8

## Manitoba

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	37,861	38,860	40,158	41,593	42,407	42,365	43,610	45,241
	% change	2.2	2.6	3.3	3.6	2.0	-0.1	2.9	3.7
Employment	thousands	577	580	587	596	607	607	617	631
	% change	1.1	0.6	1.1	1.6	1.7	0.0	1.7	2.2
Unemployment rate	%	5.3	4.8	4.3	4.4	4.1	5.2	5.1	4.5
Retail sales	\$ millions	11,692	12,381	12,870	14,008	15,017	14,882	15,948	16,825
	% change	6.7	5.9	3.9	8.8	7.2	-0.9	7.2	5.5
Housing starts	units	4,440	4,731	5,028	5,738	5,550	4,042	5,000	5,500
	% change	5.6	6.6	6.3	14.1	-3.3	-27.2	23.7	10.0
Consumer price index	2002=100	103.8	106.6	108.7	110.9	113.4	114.1	115.7	118.2
	% change	1.9	2.7	1.9	2.1	2.2	0.6	1.4	2.2

## Ontario

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	496,780	510,509	522,845	534,880	532,209	515,178	534,961	553,685
	% change	2.6	2.8	2.4	2.3	-0.5	-3.2	3.8	3.5
Employment	thousands	6,317	6,398	6,493	6,594	6,687	6,526	6,633	6,799
	% change	1.7	1.3	1.5	1.6	1.4	-2.4	1.6	2.5
Unemployment rate	%	6.8	6.6	6.3	6.4	6.5	9.0	8.7	7.9
Retail sales	\$ millions	129,086	135,321	140,808	146,252	151,375	147,708	155,866	163,497
	% change	3.2	4.8	4.1	3.9	3.5	-2.4	5.5	4.9
Housing starts	units	85,114	78,795	73,417	68,123	75,567	50,050	59,600	59,500
	% change	-0.1	-7.4	-6.8	-7.2	10.9	-33.8	19.1	-0.2
Consumer price index	2002=100	104.6	106.9	108.8	110.8	113.3	113.7	116.3	118.9
	% change	1.9	2.2	1.8	1.8	2.3	0.4	2.3	2.3

## Quebec

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	251,028	255,559	259,853	267,033	269,665	266,429	275,861	284,964
	% change	2.7	1.8	1.7	2.8	1.0	-1.2	3.5	3.3
Employment	thousands	3,680	3,717	3,765	3,852	3,882	3,844	3,913	3,993
	% change	1.4	1.0	1.3	2.3	0.8	-1.0	1.8	2.1
Unemployment rate	%	8.5	8.3	8.0	7.2	7.2	8.5	7.9	7.5
Retail sales	\$ millions	78,518	82,533	86,709	90,663	95,321	94,493	101,189	105,687
	% change	4.2	5.1	5.1	4.6	5.1	-0.9	7.1	4.4
Housing starts	units	58,448	50,910	47,877	48,553	47,925	44,008	49,800	44,800
	% change	16.2	-12.9	-6.0	1.4	-1.3	-8.2	13.2	-10.0
Consumer price index	2002=100	104.5	106.9	108.7	110.4	112.7	113.4	115.3	117.8
	% change	1.9	2.3	1.7	1.6	2.1	0.6	1.7	2.2

## New Brunswick

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	22,366	22,638	23,254	23,356	23,351	23,234	23,801	24,491
	% change	2.8	1.2	2.7	0.4	0.0	-0.5	2.4	2.9
Employment	thousands	350	351	355	363	366	366	369	374
	% change	2.0	0.1	1.4	2.1	0.9	0.1	0.6	1.5
Unemployment rate	%	9.8	9.7	8.8	7.5	8.6	8.9	8.7	8.5
Retail sales	\$ millions	7,963	8,326	8,814	9,318	9,872	9,861	10,490	10,907
	% change	1.7	4.6	5.9	5.7	5.9	-0.1	6.4	4.0
Housing starts	units	3,947	3,959	4,085	4,242	4,175	3,483	3,800	3,500
	% change	-12.1	0.3	3.2	3.8	-1.6	-16.6	9.1	-7.9
Consumer price index	2002=100	104.9	107.4	109.2	111.3	113.2	113.5	116.8	119.4
	% change	1.4	2.4	1.7	1.9	1.7	0.3	2.9	2.3

## Nova Scotia

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	27,710	28,016	28,254	28,598	29,215	29,127	29,780	30,405
	% change	0.9	1.1	0.8	1.2	2.2	-0.3	2.2	2.1
Employment	thousands	442	443	442	448	453	453	456	464
	% change	2.6	0.2	-0.3	1.3	1.2	-0.1	0.7	1.8
Unemployment rate	%	8.8	8.4	7.9	8.0	7.7	9.2	8.8	8.4
Retail sales	\$ millions	10,297	10,527	11,163	11,636	12,129	12,172	12,882	13,377
	% change	2.8	2.2	6.0	4.2	4.2	0.3	5.8	3.8
Housing starts	units	4,717	4,775	4,896	4,750	4,267	3,408	3,900	3,800
	% change	-7.4	1.2	2.5	-3.0	-10.2	-20.1	14.4	-2.6
Consumer price index	2002=100	105.3	108.2	110.4	112.5	115.9	115.7	118.4	121.1
	% change	1.8	2.8	2.1	1.9	3.0	-0.1	2.3	2.3

## Prince Edward Island

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	3,877	3,921	4,026	4,126	4,148	4,156	4,264	4,384
	% change	2.6	1.1	2.7	2.5	0.5	0.2	2.6	2.8
Employment	thousands	67	68	69	69	70	69	72	73
	% change	1.3	1.9	0.6	1.1	1.3	-1.1	3.8	0.9
Unemployment rate	%	11.2	10.8	11.1	10.3	10.7	12.0	10.4	10.2
Retail sales	\$ millions	1,385	1,424	1,512	1,629	1,721	1,715	1,832	1,904
	% change	0.1	2.8	6.2	7.7	5.6	-0.3	6.8	4.0
Housing starts	units	919	862	738	750	700	858	610	780
	% change	12.9	-6.2	-14.4	1.6	-6.7	22.6	-28.9	27.9
Consumer price index	2002=100	105.8	109.1	111.6	113.6	117.5	117.3	120.2	122.9
	% change	2.2	3.2	2.2	1.8	3.4	-0.1	2.4	2.3

## Newfoundland & Labrador

		<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP	\$2002 millions	17,209	17,593	18,201	19,856	19,953	18,057	18,789	19,221
	% change	-1.2	2.2	3.5	9.1	0.5	-9.5	4.1	2.3
Employment	thousands	214	214	216	217	220	215	220	224
	% change	1.0	-0.1	0.7	0.7	1.5	-2.4	2.4	1.7
Unemployment rate	%	15.7	15.2	14.8	13.6	13.2	15.4	15.0	14.3
Retail sales	\$ millions	5,755	5,826	6,026	6,567	7,063	7,251	7,765	8,150
	% change	0.3	1.2	3.4	9.0	7.6	2.7	7.1	5.0
Housing starts	units	2,870	2,498	2,234	2,649	3,233	3,167	3,700	3,100
	% change	6.6	-13.0	-10.6	18.6	22.1	-2.1	16.8	-16.2
Consumer price index	2002=100	104.8	107.6	109.5	111.1	114.3	114.6	117.8	120.5
	% change	1.8	2.6	1.8	1.4	2.9	0.3	2.8	2.3

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