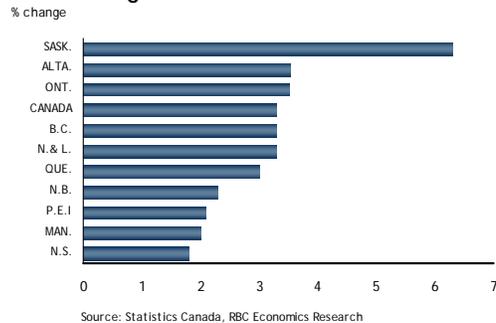


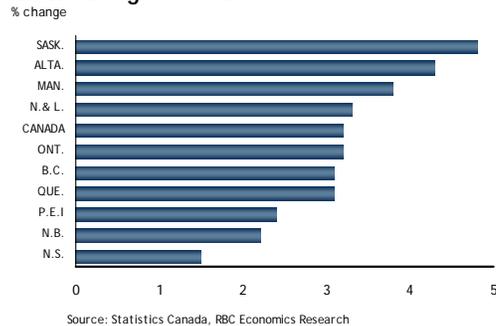
PROVINCIAL OUTLOOK

September 2010

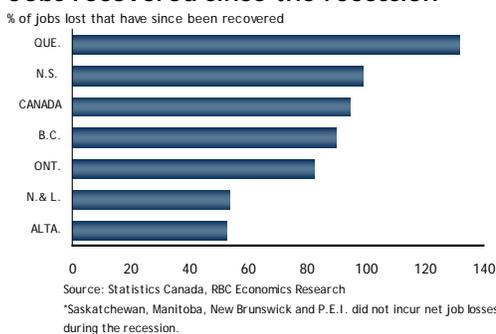
Real GDP growth 2010



Real GDP growth 2011



Jobs recovered since the recession*



Paul Ferley
 Assistant Chief Economist
 416-974-7231
 paul.ferley@rbc.com

Robert Hogue
 Senior Economist
 416-974-6192
 robert.hogue@rbc.com

David Onyett-Jeffries
 Economist
 416-974-6525
 david.onyett-jeffries@rbc.com

The recovery's bumpy ride

As if to quash any risk of becoming overconfident about the recovery in the Canadian economy, a new round of economic uncertainty made its way from the United States, where performance has disappointed lately. After a strong start to 2010, when growth nationally reached an impressive 5.8% at an annualized rate in the first quarter, the pace of the Canadian economy slowed noticeably in the second quarter to just 2.0%. While much of this deceleration can be chalked up to a significant net trade drag, therefore less a reflection of softening underlying domestic demand, it confirmed signs visible across the country that the recovery's ride hit a few bumps as we entered the middle part of 2010.

Slowdown evident in the provincial housing markets

The most obvious bump has been the sharp downturn in housing market activity in virtually every province. The frenzy that characterized many local markets earlier this year quickly turned into eerie stillness. This sudden change in market mood has raised concerns that something more fundamental is taking place. As we argued in our recent *Canadian Home Resale Market Outlook* report, we expect this current market mood to be a temporary phenomenon, reflecting activity that was brought forward and with buyers anticipated to return next year.

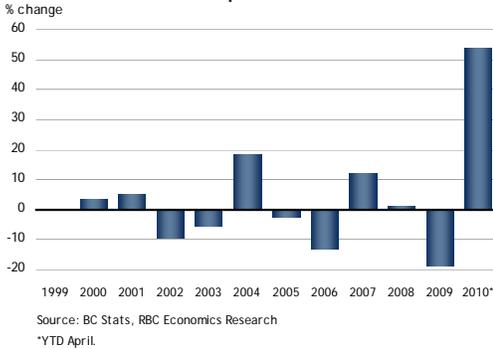
Significant recovery to date

It is important not to let the recent bumps obscure the significant improvement in provincial economies during the recovery and their currently generally positive outlooks. Based on developments in the labour market, all but two provinces that suffered drops in employment during last year's recession have recovered at least 80% of their losses. The province showing the strongest recovery has been Quebec, where employment was 32% above its pre-recession peak in July. Nova Scotia is second with a recovery rate of 99%. Newfoundland & Labrador and Alberta both lag, each having recovered just a little more than half of its losses.

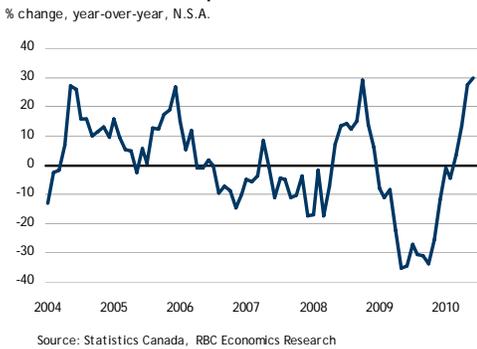
Growth downwardly revised but outlook still bright

Looking ahead, we continue to expect all provincial economies to grow this year and next, in sharp contrast to the generalized declines seen last year. Nonetheless, the downshift in momentum taking place mid-year prompted us to revise our growth forecast lower for most provinces in 2010. The only two exceptions are Saskatchewan (bumped up to 6.3% from 3.8%) and Alberta (to 3.5% from 3.1%), which happen to rank first and second, respectively, on our growth chart (Alberta is tied with Ontario in second place). The largest downward revisions were made to Manitoba (to 2.0% from 2.9% previously) and Newfoundland & Labrador (to 3.3% from 4.1%). All other adjustments were fairly modest. We also made some revisions to our 2011 forecasts, bumping up growth in Newfoundland & Labrador, Saskatchewan, Manitoba and Alberta, while cutting it in all other provinces. We expect Saskatchewan to remain the growth leader next year.

British Columbia coal production



British Columbia exports



British Columbia forecast at a glance

	2008	2009	2010	2011
Real GDP	0.0	-2.4	3.3	3.1
Employment	2.1	-2.4	2.2	1.9
Unemployment rate (%)	4.6	7.6	7.5	7.0
Retail sales	0.3	-5.1	6.2	5.0
Housing starts (units)	34,250	16,042	25,400	24,500
Consumer price index	2.1	0.0	1.4	2.2

shaded area is forecast

Growing resources

Despite the persistence of the uncertainty surrounding the global economic environment, British Columbia’s economy continues to demonstrate signs of vigour confirming that last year’s recession is indeed a thing of the past. Although some of the jump coming from sectors experiencing a revival this year is likely to come under pressure later this year, fairly solid forward momentum will be maintained overall. All things considered, we forecast the B.C. economy to grow by 3.3% in 2010 (revised lower from 3.5% in the June *Provincial Outlook*), a welcome turnaround from the estimated decline of 2.4% suffered last year.

Resource sector springs back

The good news so far this year is the marked improvement taking place in British Columbia’s resource sector. Markets for commodities produced in the province have finally shaken off their lethargy, and prices for key commodities, such as softwood lumber, market pulp, coal, natural gas and copper, are all well above year-ago levels. For the most part, production volumes are also up substantially in the province. This situation is particularly the case for coal and softwood lumber, British Columbia’s number one and two export commodities. The recovery in the resource sector, therefore, has been a big boost to the trade performance of the province, with the value of merchandise exports increasing at a double-digit rate so far this year. Be that as it may, the recent renewed weakness in U.S. residential construction is likely to create further headwind for the B.C. forest products sector and provincial exports in the near term.

Olympic lift

On the services side, the 2010 Winter Olympics and Paralympic Games provided a significant lift to tourism earlier this year. The games led to sharp increases in international visitors, hotel occupancy and room revenue during February and March. While this strong growth partly reversed once the games ended, the B.C. tourism sector is set to finish 2010 ahead of last year’s results.

Public sector doing its part

The domestic economy continues to be primed by hefty policy action. Among other measures, steep increases in public infrastructure spending are fuelling non-residential construction in the province. In its March budget, the B.C. government projected a 35% increase in capital spending this fiscal year.

Housing wildcard

The wildcard for the B.C. economy is the housing market, which has yet to find a middle ground. It has exhibited huge swings since the end of 2007 and is currently on a significant down leg. The drop in housing resales in recent months likely reflects the unwinding of earlier juiced-up demand from buyers who advanced purchases to lock in exceptionally low interest rates, to beat the introduction of new mortgage rules in April and the HST in July. We expect that housing activity will stabilize during the second half of 2010, although poor affordability levels in markets such as Vancouver pose some downside risk.

The improved outlook for the B.C. economy will extend to 2011, although some modest slowing in growth is likely to occur. We project real GDP to grow by 3.1% next year, down slightly from our earlier forecast of 3.3%.

Robert Hogue
Senior Economist



A two-tiered recovery?

While we would like to see stronger recovery in a wider spectrum of sectors of the Alberta economy, overall growth in the province is rebounding solidly from last year's sharp contraction. In fact, we revised our real GDP growth forecast higher to 3.5% this year (from 3.1% previously), reversing most of the estimated 4.5% decline registered in 2009 (the first drop since 1986).

Energy-related activity the main driving force

Our stronger projected growth primarily reflects the turnaround taking place in the energy sector. As we indicated in June, interest in Alberta's oil and gas sector is coming back – thanks to both improved market conditions and recent changes, which restored Alberta's royalty competitiveness against other jurisdictions, to the province's royalty regime. The resurgence in activity, however, now looks to be sustained at higher levels than previously thought. In particular, very strong sales of crown lands for oil and gas development – land acreage more than doubled during the first seven months of this year, while land value climbed nearly eleven-fold – attest to the renewed desire to develop Alberta's oil and gas resources, and suggest that the rebound in oil and gas drilling so far this year is likely to gain even more strength going forward. With spending on the rise for major oilsands projects, this will contribute to boost non-residential investments significantly following last year's plummet.

Meanwhile, the ramp up of operations at newly completed or expanded oilsands projects is boosting bitumen output to its highest levels on record. Total bitumen production (upgraded and non-upgraded) in the province is set to grow at the fastest pace since 2006, which will more than compensate for continued declines in conventional crude oil and natural gas production. Stronger energy-related activity in the province represents the main driver of growth this year.

Recovery lagging in other sectors...

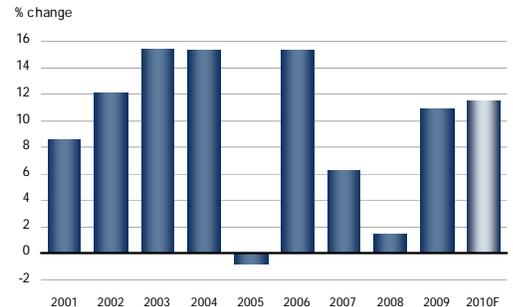
Elsewhere in the Albertan economy, however, the recovery is still lagging in many sectors. To date, overall employment gains have been slow in coming, and this has deferred migration from other provinces – a significant source of population growth in the past. Home resales have suffered the consequences, continuing to slide sharply (despite much improved affordability). Retail sales have weakened in recent months after posting a strong start to the year. Manufacturing sales are bouncing back, but, removing the effect of higher petroleum product prices, the increase has been modest (petroleum products represent close to one-quarter of the Albertan manufacturing sector).

...but it will catch up by next year

Nonetheless, we expect those lagging sectors to pick up their pace in the period ahead as the renewed strength in energy-related activity feeds the rest of the economy.

By next year, therefore, the recovery will be more broadly based, which will translate into an even greater rate of growth in the provincial economy, now projected at 4.3%, which is up marginally from 4.2% in the June *Provincial Outlook*.

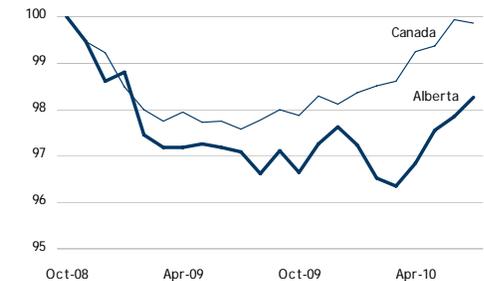
Alberta bitumen production



Source: National Energy Board (NEB), RBC Economics Research, NEB Projection

Alberta employment vs. Canada

Oct. 2008=100, S.A.



Source: Statistics Canada, RBC Economics Research

Alberta forecast at a glance

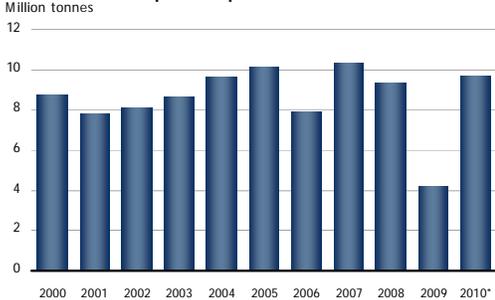
% change unless otherwise indicated

	2008	2009	2010	2011
Real GDP	0.0	-4.5	3.5	4.3
Employment	2.7	-1.3	0.8	2.6
Unemployment rate (%)	3.6	6.6	6.5	5.8
Retail sales	-0.1	-8.4	5.0	5.6
Housing starts (units)	28,967	19,983	28,800	33,000
Consumer price index	3.2	-0.1	1.0	1.8

shaded area is forecast

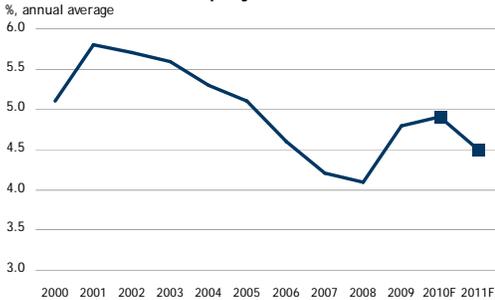
Robert Hogue
Senior Economist

Saskatchewan potash production



Source: Statistics Canada, RBC Economics Research
*First 5 months annualized.

Saskatchewan unemployment rate



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

	2008	2009	2010	2011
Real GDP	4.2	-5.4	6.3	4.8
Employment	2.2	1.5	1.5	2.5
Unemployment rate (%)	4.1	4.8	4.9	4.5
Retail sales	10.6	-2.3	3.0	5.6
Housing starts (units)	6,792	3,792	5,200	5,100
Consumer price index	3.2	1.1	1.4	2.8

shaded area is forecast

2010 goes as potash goes

Sizeable cutbacks in potash production last year (down 55%) were the main factor contributing to a sharp contraction in Saskatchewan’s economy, estimated at 5.4%. In 2009, the poor start to the growing season also weighed on growth, but a late-season recovery in the harvest of Saskatchewan’s major crops resulted in only a modest decline in agricultural production. The huge swing in potash production this year will, again, be the key driver of performance – this time leading to a nation-leading growth of 6.3% in 2010, revised significantly higher than the 3.8% projected in the June *Provincial Outlook*.

Potash production switch is on...big time!

The outlook for 2010 will, in large part, reflect the developments in the potash (Saskatchewan’s number two export commodity after crude oil) and agricultural sectors. With respect to potash production, the news is very encouraging because activity during the first five months of 2010 was up by an impressive 130% in the province. We expect this activity to result in a 21% rise in the mining and oil and gas extraction sector this year that will more than offset the decline of almost 18% in 2009. The surge in potash production is expected to more than make up for some weakness in oil and natural gas production, which has shown indications of declining so far this year.

Very wet seeding season causes headaches again

The outlook for agricultural sector is not as promising, however. Very wet conditions in a number of regions in the province in May and June significantly reduced seeding and thus the likely harvest in the fall. The latest production estimates by Statistics Canada suggest that the volume of production of the province’s three-largest crops (wheat, canola and barley) will be down 27.2% following a 0.2% drop in 2009. Wet conditions may also weigh on the quality of the grain. Fortunately, the picture on farm incomes is not quite as bleak as it could be because adverse weather conditions in other major producing regions in the globe (e.g., Russia, Ukraine and Australia) have put upward pressure on crop prices.

Growth spreading across the provincial economy

Elsewhere in the Saskatchewan economy, recent monthly data suggest that positive growth has returned to the manufacturing and wholesale sectors, after they both declined last year. Similarly, the retail trade industry also appears to be bouncing back modestly, with retail sales up during the first half of this year and benefitting from rising employment. All things considered, the rapid recovery in potash production and, to a much lesser extent, gains in manufacturing, wholesale and retail trade are expected to propel overall real GDP growth up by a very robust 6.3% in 2010. Growth could be even higher if not for the outsized anticipated drop in agricultural output.

Looking further ahead, we expect that some moderation in growth in 2011 will limit GDP to 4.8%. Potash production will likely see more muted gains, but continuing global growth bodes well for a recovery in energy production, and agricultural output faces substantial upward potential if growing conditions improve.

Paul Ferley
Assistant Chief Economist



Less need to play catch up in 2010

Growth in Manitoba is expected to come in at only 2.0% in 2010, the second-lowest rate among all 10 provinces; however, this is not really a cause for concern because the provincial economy does not have to make up as much ground that it lost to the recession as elsewhere in the country. Activity held up comparatively well compared to the other provinces in 2009, declining just marginally by 0.1% (according to our estimation). Some of the elements contributing positively last year – such as capital spending – will partly reverse this year, thereby limiting the growth rebound.

Capital expenditures shifting down

An important factor supporting activity in 2009 was ongoing work on major capital expenditure projects such as the Keystone pipeline, which boosted the construction sector by almost 10%; however, spending on this project is largely complete. As well, construction on the \$585 million Winnipeg International Airport expansion that started in 2007 should be done and with the facility opening to passengers late this year. The winding down of these projects imply downward pressure on construction in 2010, although continued work on the \$310 million Canadian Museum for Human Rights, stepped up public sector infrastructure spending and an expected increase in residential construction will likely limit the extent of decline to about 2.0%.

Significant drop in grain production

Also weighing on growth this year will be a significant drop in grain production caused by excess moisture early in the crop year. Recently released estimates by Statistics Canada suggest that production of the two-main field crops (i.e., wheat and canola) will be down almost 25% relative to the 2009 harvest. Some offset is expected from greater strength in livestock production, which will limit the decline in Manitoba’s overall agricultural sector to 8.0% in 2010, following a 4.4% drop in 2009.

Rebound in mining

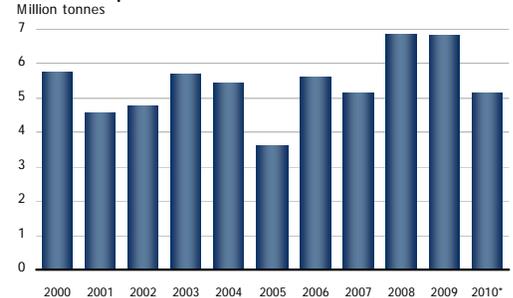
Meanwhile, the mining and oil and gas extraction sector is rebounding solidly, expected to rise by 6.0% following a 2.7% drop in 2009. The sector enjoys strengthening global demand that contributed to the resumption of zinc and gold production in the province this year from formerly shutdown facilities. As well, light crude production in the province is up almost 20% during the first half of the year with a strong contribution from the Williston Basin. Record sales of oil and gas rights this year are flagging further growth in the province’s energy industry.

Mixed picture for retail trade and manufacturing

Recent monthly data show an encouraging improvement in retail sales in the first half of 2010, benefiting from a marked strengthening in employment. On the other hand, the trend in manufacturing sales is less heartening, pointing to an easing of the decline rather than flagging a return to positive growth. We, however, expect greater manufacturing strength to emerge during the last half of this year as the U.S. recovery regains some of its heft.

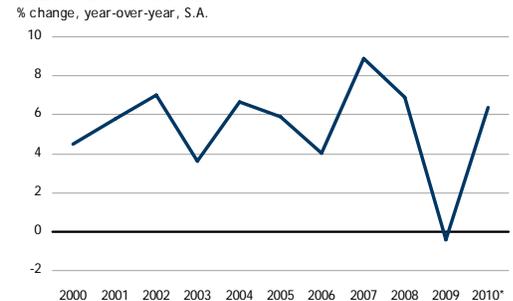
Looking ahead to 2011, we expect growth to accelerate to 3.8%, reflecting in part a strong expected rebound in agricultural production, and further gains in both the mining and oil and gas and the manufacturing sectors to be supported by continued recoveries in the U.S. and global economies.

Manitoba production of wheat and canola



Source: Statistics Canada, RBC Economics Research
*Statistics Canada projection.

Manitoba retail sales



Source: Statistics Canada, RBC Economics Research
*First 6 months of 2010.

Manitoba forecast at a glance

	% change unless otherwise indicated			
	2008	2009	2010	2011
Real GDP	2.0	-0.1	2.0	3.8
Employment	1.7	0.0	2.0	1.9
Unemployment rate (%)	4.1	5.2	5.4	5.0
Retail sales	7.2	-0.9	4.7	5.0
Housing starts (units)	5,550	4,042	5,900	5,500
Consumer price index	2.2	0.6	0.8	2.1

shaded area is forecast

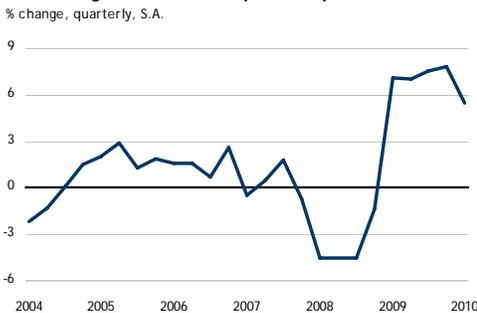
Paul Ferley
Assistant Chief Economist

Ontario housing resales



Source: CREA, RBC Economics Research

Ontario government capital expenditures



Source: Ontario Ministry of Finance, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

	2008	2009	2010	2011
Real GDP	-0.5	-3.2	3.5	3.2
Employment	1.4	-2.4	1.9	2.4
Unemployment rate (%)	6.5	9.0	8.7	8.1
Retail sales	3.5	-2.4	5.3	4.7
Housing starts (units)	75,567	50,050	58,600	59,000
Consumer price index	2.3	0.4	2.3	2.4

shaded area is forecast

Holding its own

While it will take more time for the Ontario economy to repair the damages caused by 2008-2009 recession, progress to date has been encouraging. Very strong growth late last year and early this year helped recover more than 70% of the losses during the recession from a real GDP perspective; nevertheless, further progress will take place at a slower pace. In fact, moderating growth south of the border and the rapid cooling of Ontario’s housing market will cause activity to decelerate a little more than previously anticipated during the remainder of 2010. Overall, we project the provincial economy to grow by 3.5% in 2010, revised slightly lower from 3.8% in the June *Provincial Outlook*.

Impressive start to 2010

After showing some hesitation at first but then letting loose by the end of last year, the recovery in Ontario’s economy sustained a very strong pace in the first quarter of 2010, with growth at 6.2% (at an annualized rate) or barely slower than the 6.8% recorded in the fourth quarter of 2009, according to Ontario Ministry of Finance figures. This strong momentum was broadly based but received much of its thrust from the surging housing sector. The spectacular rebound in housing resales had far reaching ripple effects that benefited retailers and home builders, among others. Investment in machinery and non-residential structures also contributed to growth, reflecting both governments stepping up their expenditures on public infrastructures and businesses boosting their capital spending. Steady employment gains, which contributed to bringing the unemployment rate down from its 16-year high that was reached late last year, accompanied this burst of activity in the Ontario economy.

Shifting to a more sustainable pace

As spring came along, however, some signs of a slowing economy appeared. First, Ontario’s housing market began to let out some air. Second, the U.S. economy hit a soft patch. While we believe that the current downturn in housing resale activity is, in large part, a temporary phenomenon (the reversal of an earlier rush to beat the introduction of the HST, changes to mortgage rules and increases in interest rates) that will stabilize later this year, it will have a restraining effect on economic growth. Likewise, the softer U.S. economy will likely weigh on demand for provincial exports mid-year.

Nevertheless, these developments merely represent bumps on the road to a more sustainable pace in Ontario. We believe that the provincial economy will remain well supported with continued spending by governments and consumers. In particular, capital expenditures by all levels of government will move into top gear for the remainder of the year because the deadline of March 2011 for the completion of works receiving funding from the federal Action Plan looms. Very strong job creation recently is expected to keep Ontario consumers going to the shopping malls and car dealerships.

Cruising speed in 2011

We expect a more moderate yet still robust pace in 2011, with Ontario’s real GDP growth projected to ease to 3.2%, down from 3.5% previously.

Robert Hogue
Senior Economist



Facing more headwinds but still charging ahead

This year began quite well for the Quebec economy with the recovery not only continuing at a decent clip but also spreading across industrial sectors. That solid growth came under some downward pressure in recent months, however, as key drivers took a breather or, in the case of the housing market, gave back part of its earlier substantial gains. While we expect Quebec's economy to remain comfortably above water in the period ahead, it is now seen to be a little less buoyant than previously anticipated. We revised the province's real GDP growth lower to 3.0% from 3.5% in our June *Provincial Forecast*.

Full-fledge participant in the economic rally

After managing to avoid the worse of the recession, Quebec's economy participated fully in the rally that took place late last year in North American economic activity. On the impulse of very stimulative monetary and fiscal policies, real GDP in the province grew by 5.5% (at an annualized rate) in the fourth quarter of 2009, the strongest rate since the middle of 2000 (based on *Institut de la statistique du Québec* estimates). While growth slowed to 3.4% in the first quarter of 2010, we were encouraged to see that the recovery was broadening across the provincial economy. Whereas growth was primarily driven by stimulus actions and rebounds in the housing and mining sectors in the fourth quarter of last year, it was supplemented in the first quarter of this year by a pick up in activity in services and a number of manufacturing industries, as well as by a rise in business investment. Growth in consumer spending also accelerated early this year, thanks in no small part to renewed consumer confidence stemming from an improving job market.

Not immune to the generalized softening in growth...

More recent data, however, indicate that the Quebec economy is no exception to the softening in growth taking place in North America. As in many other provinces, the Quebec housing market has cooled considerably since the spring, and much weaker resale activity is reverberating through the construction, services and parts of the manufacturing sectors. The earlier shopping spree at car dealerships has quieted down markedly in recent months, weighing on the provincial retail trade industry. Even the non-residential construction industry, despite being pumped up by massive public infrastructure work programs, is showing some signs of taking a rest mid-year. These factors suggest that growth has entered a more moderate phase.

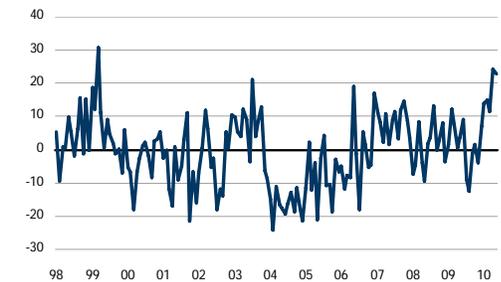
...but still turning in a respectable performance

Still, the overall performance for 2010 will be quite respectable. At 3.0%, the projected growth rate will be the fastest since 2000. The Quebec economy will continue to enjoy strong contributions from sectors such as mining and, once it is back in gear (as we expect later this year), non-residential construction. The manufacturing sector, overall, could well add to growth for the first time since 2005, despite persisting challenges facing sub-sectors such as furniture and transportation equipment.

Our outlook for 2011 calls for annual growth to remain little changed. We project real GDP to grow at 3.1%, revised lower from 3.3% previously.

Quebec mining real GDP

% change, year-over-year



Source: Institut de la statistique du Québec, RBC Economics Research

Quebec residential construction real GDP

% change, year-over-year



Source: Institut de la statistique du Québec, RBC Economics Research

Quebec forecast at a glance

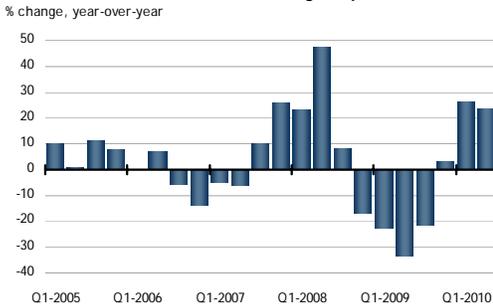
% change unless otherwise indicated

	2008	2009	2010	2011
Real GDP	1.0	-1.2	3.0	3.1
Employment	0.8	-1.0	2.0	2.0
Unemployment rate (%)	7.2	8.5	7.9	7.6
Retail sales	5.1	-0.9	5.5	4.4
Housing starts (units)	47,925	44,008	52,000	45,800
Consumer price index	2.1	0.6	1.4	2.1

shaded area is forecast

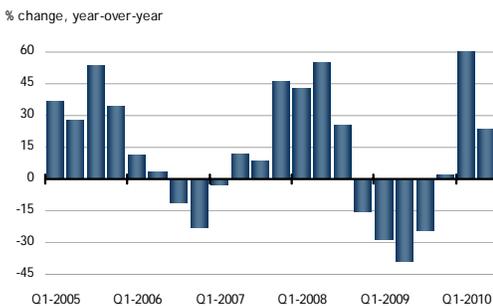
Robert Hogue
Senior Economist

New Brunswick manufacturing shipments



Source: Statistics Canada, RBC Economics Research

New Brunswick nominal energy exports



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated	2008	2009	2010	2011
Real GDP	0.0	-0.5	2.3	2.2
Employment	0.9	0.1	-0.2	1.3
Unemployment rate (%)	8.6	8.9	8.9	8.6
Retail sales	5.9	-0.1	4.6	4.0
Housing starts (units)	4,175	3,483	4,300	3,500
Consumer price index	1.7	0.3	2.1	2.1

shaded area is forecast

Slow but steady

Unfavourable conditions in the commodities markets were a key driver of the 0.5% contraction in New Brunswick’s real GDP in 2009; however, the broad-based recovery in these markets has reversed its fortunes in 2010, so we expect the province to post growth of 2.3% (revised marginally lower from 2.4% in the June *Provincial Outlook*).

Exports and manufacturing coming back in a big way

Increased energy production, thanks to the start of operations at the Canaport liquefied natural gas (LNG) regasification plant and firmer natural gas prices, has boosted nominal energy exports by a whopping 41% year-to-date, while improved global demand for fertilizer resulted in the return to normal operations at the Sussex potash mine, which, combined with firmer prices, has led to increased nominal potash exports by more than 300%. The manufacturing sector has also seen substantial increases from last year’s depressed levels, with non-durable good production up 25% and manufacturing of durables up 29% on a year-to-date basis. These gains have been driven by improved demand and more favourable price environments for the province’s food, energy and forest products.

Major capital projects winding down but stimulus still strong

Non-residential construction continues to ease in the province, with work on the Canaport LNG terminal finishing up in the second quarter of 2010. Nonetheless, activity in this sector still finds support from the \$1.7-billion Sussex mine expansion and the provincial government’s two-year, \$1.6-billion infrastructure stimulus plan slated to end in 2011. Meanwhile, the labour market, which actually saw net new jobs created throughout the recession, weakened so far this year (employment fell 2,400). The effect has been muted by gains in employee earnings and cuts in the provincial personal income tax, maintaining favourable conditions for retail sales and the housing market, however. Further improvement in the economy should spark job creation again during the remainder of this year; in any event, the expected gains will not be sufficient to prevent overall employment from declining modestly in 2010, keeping the provincial unemployment rate stuck at a five-year high of 8.9%.

Moderate growth again in 2011

Next year, largely offsetting forces will maintain subdued growth of 2.2% in New Brunswick (revised lower from for 2.9% in our June *Provincial Forecast*). On one side, continued recovery in the world economy will boost global demand for the province’s goods and services, and sustained employment gains will support modest growth in residential investment and consumer spending. On the other hand, further slowdown in private non-residential investment (the refurbishment of the Point Lepreau nuclear plant is set to wind up) and the removal of the considerable infrastructure stimulus will act as a drag on growth.

David Onyett-Jeffries
Economist

Government tightening its belt

While Nova Scotia fared substantially better than most of the country by only posting a small estimated contraction of 0.3% in real output in 2009, performance so far into 2010 shows that weakness persists in the economy. As a result, we revised our forecast for growth down in the most populous Atlantic Province to 1.8% from 2.2% in our June *Provincial Outlook*.

Natural resources struggling to regain their footing

Nova Scotia's natural resource industries that were hit hard by the global economic downturn have struggled to regain their footing this year. Energy production has continued its declining trend, with natural gas production down 13.7% year-to-date to July and expected to finish the 2010 below last year's weak levels. The recovery in natural gas prices, which are currently 36% above year-ago levels, however, should be enough to offset this fall in production volumes and provide some support to the province's nominal exports. In the manufacturing sector, the province has benefitted from the general pickup in North American demand for motor vehicles, which has increased demand for Nova Scotia-produced tires, while improved global pulp and paper markets have led to a key plant resuming operations at normal capacity.

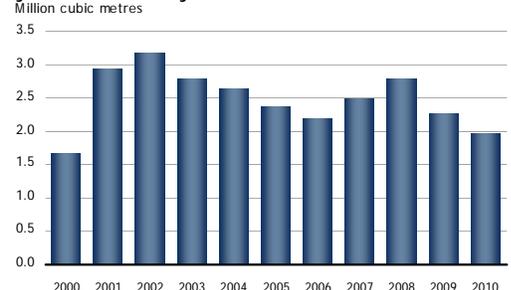
Modest growth in construction, services

The construction sector is set to grow moderately this year thanks to strong housing demand, partially supported by a now lapsed tax rebate on the construction of new homes, and the final push from the government's two-year infrastructure stimulus plan. The service sector is expected to be the main driver of employment growth, but cuts in public sector employment, which has lost 2,100 jobs year-to-date, will somewhat restrain overall employment growth in 2010. Workers have seen solid gains in wages, which have in turn supported robust growth in retail spending, although this likely at least partially reflected the advancement of purchases prior to the government's implementation of a 2 percentage point increase in the harmonized sales tax rate on July 1, 2010.

Fiscal austerity in 2011

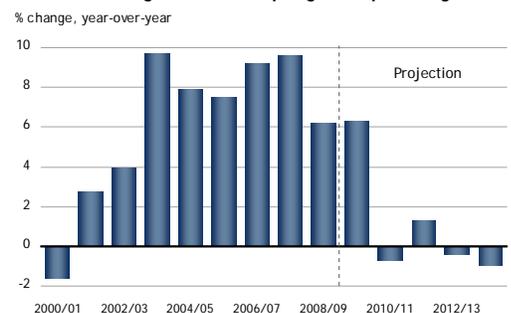
The fiscal austerity measures announced by the provincial government in its April budget are designed to bring the budget back to balance by 2013-2014 and will take centre stage in 2011. We project program spending to decline by an average of 0.4% in each of the next four years with the size of the public service slated to shrink by 10% by 2013. Perhaps more importantly, the end of infrastructure stimulus measures and a lull in major capital investment projects – recently compounded by the cancellation of a proposed \$750 to \$900 million liquefied natural gas terminal – will result in a void in the construction sector and a drag on growth. On the positive side, provincial exports will receive a substantial boost from the start of production at Deep Panuke natural gas project. Also, Halifax will host the 2011 Canada Winter Games, which will spur tourism and related activities. Overall, we forecast the provincial real GDP growth at just 1.5%, revised lower from 2.1% in our June *Provincial Outlook*.

Nova Scotia natural gas production, year-to-date July



Source: Canada-Nova Scotia Offshore Petroleum Board, RBC Economics Research

Nova Scotia government program spending



Source: Nova Scotia Ministry of Finance, RBC Economics Research

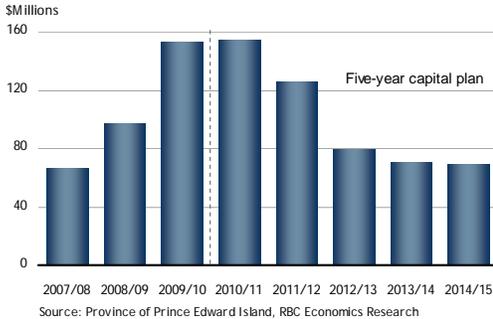
Nova Scotia forecast at a glance

	% change unless otherwise indicated			
	2008	2009	2010	2011
Real GDP	2.2	-0.3	1.8	1.5
Employment	1.2	-0.1	0.7	1.7
Unemployment rate (%)	7.7	9.2	8.9	8.6
Retail sales	4.2	0.3	5.7	3.6
Housing starts (units)	4,267	3,408	4,200	3,800
Consumer price index	3.0	-0.1	1.8	2.2

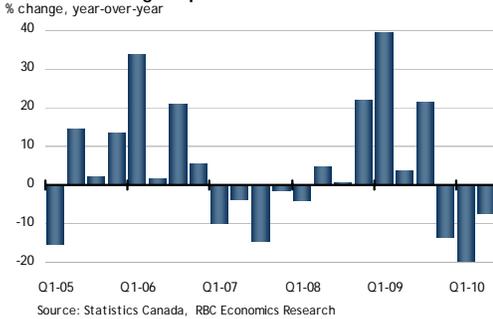
shaded area is forecast

David Onyett-Jeffries
Economist

Prince Edward Island provincial government capital expenditures



Prince Edward Island durable good manufacturing shipments



Prince Edward Island forecast at a glance

% change unless otherwise indicated

	2008	2009	2010	2011
Real GDP	0.5	0.2	2.1	2.4
Employment	1.3	-1.1	3.5	1.3
Unemployment rate (%)	10.7	12.0	10.6	10.1
Retail sales	5.6	-0.3	5.4	3.9
Housing starts (units)	700	858	820	780
Consumer price index	3.4	-0.1	1.7	2.1

shaded area is forecast

Back to basics

Prince Edward Island is the sole provincial economy that avoided a contraction in 2009, posting a moderate 0.2% gain (according to our estimate). As a result, however, Canada’s smallest province will see less of a bounce in growth in 2010, with our forecast calling for real GDP to grow by 2.1% for the year (downwardly revised from 2.6% in our June *Provincial Outlook*).

Construction firing on all cylinders

The construction sector has been a significant source of strength for the province’s economy so far this year. Stable labour markets have supported residential investment, with housing starts surging 38.5% compared to last year’s levels in the second quarter, while the government’s record five-year, \$500-million, capital-spending plan, in which expenditure peaks in 2010-2011 at \$155 million, has supported growth in non-residential construction. The firm labour market conditions have also bred solid wage growth that has in turn driven strength in retail sales.

Some weakness in manufacturing

On the downside, sales of manufactured durable goods are lower year-to-date, after a banner year in 2009 during which they surged by 10% on the strength of the emergent aerospace and technology industries. This drop in durable goods is compounding weakness in food manufacturing, resulting in softer overall manufacturing shipments so far this year. The agri-food sector, which accounts for more than 50% of the province’s merchandise exports, is also facing headwinds, with poor U.S. demand causing two major food producers to scale back their potato purchases, livestock farmers reducing the size of cattle and swine herds and shellfish prices remaining at depressed levels. On the services side, tourism has been hit hard by the combination of poor labour market conditions in the United States and a stronger Canadian dollar, with tourist traffic (as measured by room-nights sold) down 9.2% from year-ago levels in the second quarter.

Improving outlook in 2011

In 2011, while other provinces are scaling back their infrastructure spending, the P.E.I government is set to continue ramping up spending, providing a solid base for stronger economic growth in the province. This situation will be further aided by the continued improvement in the global and U.S. economies, which are expected to strengthen demand for agricultural products and boost Island tourism. We expect growth in the province to accelerate to 2.4% in 2011.

David Onyett-Jeffries
Economist



Building momentum

Dragged lower by substantial declines in crude oil and mining production, Newfoundland & Labrador’s real GDP fell the most among provinces last year, plummeting by an estimated 9.5%. So far this year, the recovery in mineral extraction and other sectors appears to be gaining a firm foothold, which we expect will lead to a fairly solid 3.3% growth rate in 2010 overall. Nonetheless, this result represents a downward revision from the 4.1% rate projected in June *Provincial Outlook*.

Mineral extraction rushing back

While offshore oil production has come in weaker than expected so far in 2010, down 3.2% year-to-date to June, output at the recently operational North Amethyst satellite oilfield will ramp-up production toward the end of this year, enough to make up (at least temporarily) for the declines at the three main production fields (suffering from rapid maturation). More importantly for the mineral extraction sector in the province, metal mining output is bouncing back strongly with the achievement of more normal output levels at operations that were hampered by labour disruptions last year. With a new iron ore mine slated to start producing later this year, the provincial Ministry of Natural Resources is projecting a 32% increase in metallic mineral shipments in 2010, a sharp reversal of the 48% plummet last year.

Major capital projects on the way

The broad recovery in commodity prices, since reaching cyclical lows at the beginning of 2009, as well as the favourable outlook for commodity demand, has spurred on significant investment in the province’s natural resources sectors. More than \$6-billion worth of projects in the oil and gas sector, \$3.5 billion in manufacturing (mainly related to the Voisey’s Bay nickel processing facility) and almost \$600 million in mining are currently classified as ‘underway’ or ‘approved’. These amounts do not even include the \$5-billion Hebron Oil Project to develop a fourth producing offshore oilfield. Overall, we expect non-residential investment in the province to surge by 30% in 2010, and it will likely be a steady source of economic growth in the medium term.

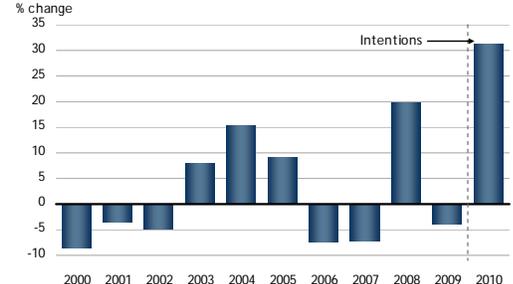
Stronger commodity markets benefit other sectors

The improved commodity market conditions will also provide a significant boost to the provincial government’s crude oil royalty revenues, which are expected to represent around 40% of total revenues. This situation could present the province with some fiscal cushion, potentially enabling further growth in the public service sector, which provides approximately 30% of provincial employment. Meanwhile, private-sector employment prospects continue to improve, with the primary industries and construction acting as the main drivers. In turn, a strengthening labour market is fuelling income growth, which supports stronger retail trade activity and residential construction. Better relative employment prospects, recently, have been a key factor working to reverse the tide of inter-provincial emigration.

Strong momentum sustained next year

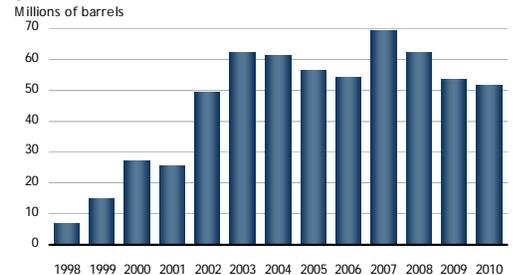
We expect that the provincial economy will carry this year’s momentum into 2011. Strong capital investment and further increases in the mineral extraction sector will contribute to maintaining provincial growth at 3.3%, revised up from 2.3% in our June *Provincial Forecast*.

Newfoundland & Labrador non-residential investment



Source: Statistics Canada, RBC Economics Research

Newfoundland & Labrador oil production, year-to-date June



Source: Canada-Newfoundland & Labrador Offshore Petroleum Board, RBC Economics Research

Newfoundland forecast at a glance

	% change unless otherwise indicated			
	2008	2009	2010	2011
Real GDP	0.5	-9.5	3.3	3.3
Employment	1.5	-2.4	2.6	1.6
Unemployment rate (%)	13.2	15.4	14.9	14.1
Retail sales	7.6	2.7	4.5	4.4
Housing starts (units)	3,233	3,167	4,100	3,100
Consumer price index	2.9	0.3	2.3	2.2

shaded area is forecast

David Onyett-Jeffries
Economist



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	08	09	10
N. & L.	0.5	-9.5	3.3	3.3	1.5	-2.4	2.6	1.6	13.2	15.4	14.9	14.1	3.2	3.2	4.1	3.1	7.6	2.7	4.5	4.4	2.9	0.3	2.3	2.2			
P.E.I.	0.5	0.2	2.1	2.4	1.3	-1.1	3.5	1.3	10.7	12.0	10.6	10.1	0.7	0.9	0.8	0.8	5.6	-0.3	5.4	3.9	3.4	-0.1	1.7	2.1			
N.S.	2.2	-0.3	1.8	1.5	1.2	-0.1	0.7	1.7	7.7	9.2	8.9	8.6	4.3	3.4	4.2	3.8	4.2	0.3	5.7	3.6	3.0	-0.1	1.8	2.2			
N.B.	0.0	-0.5	2.3	2.2	0.9	0.1	-0.2	1.3	8.6	8.9	8.9	8.6	4.2	3.5	4.3	3.5	5.9	-0.1	4.6	4.0	1.7	0.3	2.1	2.1			
QUE.	1.0	-1.2	3.0	3.1	0.8	-1.0	2.0	2.0	7.2	8.5	7.9	7.6	47.9	44.0	52.0	45.8	5.1	-0.9	5.5	4.4	2.1	0.6	1.4	2.1			
ONT.	-0.5	-3.2	3.5	3.2	1.4	-2.4	1.9	2.4	6.5	9.0	8.7	8.1	75.6	50.1	58.6	59.0	3.5	-2.4	5.3	4.7	2.3	0.4	2.3	2.4			
MAN.	2.0	-0.1	2.0	3.8	1.7	0.0	2.0	1.9	4.1	5.2	5.4	5.0	5.6	4.0	5.9	5.5	7.2	-0.9	4.7	5.0	2.2	0.6	0.8	2.1			
SASK.	4.2	-5.4	6.3	4.8	2.2	1.5	1.5	2.5	4.1	4.8	4.9	4.5	6.8	3.8	5.2	5.1	10.6	-2.3	3.0	5.6	3.2	1.1	1.4	2.8			
ALTA.	0.0	-4.5	3.5	4.3	2.7	-1.3	0.8	2.6	3.6	6.6	6.5	5.8	29.0	20.0	28.8	33.0	-0.1	-8.4	5.0	5.6	3.2	-0.1	1.0	1.8			
B.C.	0.0	-2.4	3.3	3.1	2.1	-2.4	2.2	1.9	4.6	7.6	7.5	7.0	34.3	16.0	25.4	24.5	0.3	-5.1	6.2	5.0	2.1	0.0	1.4	2.2			
CANADA	0.5	-2.5	3.3	3.2	1.5	-1.6	1.7	2.1	6.1	8.3	8.0	7.5	212	149	189	184	3.4	-3.0	5.3	4.8	2.4	0.3	1.7	2.1			

Key provincial comparisons

2008 unless otherwise indicated

	<u>N. & 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 (July 2010, %)	50.9	61.2	59.0	58.1	60.1	61.7	66.2	66.4	68.6	61.2
Discomfort index (inflation + unemp. rates, July 2010)	17.1	11.7	11.0	10.3	8.8	11.4	5.3	5.5	7.8	9.5
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

Tables

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	165,870	171,012
	% change	3.6	4.7	4.2	2.9	0.0	-2.4	3.3	3.1
Employment	thousands	2,063	2,131	2,195	2,266	2,314	2,259	2,309	2,352
	% change	2.4	3.3	3.0	3.2	2.1	-2.4	2.2	1.9
Unemployment rate	%	7.2	5.9	4.8	4.2	4.6	7.6	7.5	7.0
Retail sales	\$ millions	47,217	49,286	52,837	56,365	56,562	53,675	56,977	59,803
	% change	6.3	4.4	7.2	6.7	0.3	-5.1	6.2	5.0
Housing starts	units	32,925	34,667	36,443	39,195	34,250	16,042	25,400	24,500
	% change	25.8	5.3	5.1	7.6	-12.6	-53.2	58.3	-3.5
Consumer price index	2002=100	104.2	106.3	108.1	110.0	112.3	112.3	113.9	116.4
	% change	2.0	2.0	1.7	1.7	2.1	0.0	1.4	2.2

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	183,665	191,563
	% change	5.3	4.5	6.2	2.5	0.0	-4.5	3.5	4.3
Employment	thousands	1,757	1,784	1,871	1,959	2,013	1,988	2,003	2,056
	% change	2.4	1.5	4.8	4.7	2.7	-1.3	0.8	2.6
Unemployment rate	%	4.6	3.9	3.4	3.5	3.6	6.6	6.5	5.8
Retail sales	\$ millions	43,372	48,493	55,942	61,160	61,069	55,956	58,750	62,030
	% change	10.3	11.8	15.4	9.3	-0.1	-8.4	5.0	5.6
Housing starts	units	36,270	40,847	48,962	48,336	28,967	19,983	28,800	33,000
	% change	0.3	12.6	19.9	-1.3	-40.1	-31.0	44.1	14.6
Consumer price index	2002=100	105.9	108.1	112.3	117.9	121.6	121.5	122.7	124.9
	% change	1.4	2.1	3.9	4.9	3.2	-0.1	1.0	1.8

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	41,816	43,823
	% change	5.1	3.1	-1.0	3.6	4.2	-5.4	6.3	4.8
Employment	thousands	480	483	492	502	513	521	529	542
	% change	0.8	0.8	1.7	2.1	2.2	1.5	1.5	2.5
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	14,457	15,273
	% change	4.1	5.2	6.5	13.0	10.6	-2.3	3.0	5.6
Housing starts	units	3,781	3,437	3,715	6,007	6,792	3,792	5,200	5,100
	% change	14.1	-9.1	8.1	61.7	13.1	-44.2	37.1	-1.9
Consumer price index	2002=100	104.6	106.9	109.1	112.2	115.9	117.1	118.7	122.0
	% change	2.2	2.2	2.0	2.9	3.2	1.1	1.4	2.8

Tables

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	43,212	44,854
	% change	2.2	2.6	3.3	3.6	2.0	-0.1	2.0	3.8
Employment	thousands	577	580	587	596	607	607	619	631
	% change	1.1	0.6	1.1	1.6	1.7	0.0	2.0	1.9
Unemployment rate	%	5.3	4.8	4.3	4.4	4.1	5.2	5.4	5.0
Retail sales	\$ millions	11,692	12,381	12,870	14,008	15,017	14,882	15,586	16,360
	% change	6.7	5.9	3.9	8.8	7.2	-0.9	4.7	5.0
Housing starts	units	4,440	4,731	5,028	5,738	5,550	4,042	5,900	5,500
	% change	5.6	6.6	6.3	14.1	-3.3	-27.2	46.0	-6.8
Consumer price index	2002=100	103.8	106.6	108.7	110.9	113.4	114.1	115.0	117.4
	% change	1.9	2.7	1.9	2.1	2.2	0.6	0.8	2.1

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	533,210	550,272
	% change	2.6	2.8	2.4	2.3	-0.5	-3.2	3.5	3.2
Employment	thousands	6,317	6,398	6,493	6,594	6,687	6,526	6,649	6,807
	% change	1.7	1.3	1.5	1.6	1.4	-2.4	1.9	2.4
Unemployment rate	%	6.8	6.6	6.3	6.4	6.5	9.0	8.7	8.1
Retail sales	\$ millions	129,086	135,321	140,808	146,252	151,375	147,708	155,482	162,806
	% change	3.2	4.8	4.1	3.9	3.5	-2.4	5.3	4.7
Housing starts	units	85,114	78,795	73,417	68,123	75,567	50,050	58,600	59,000
	% change	-0.1	-7.4	-6.8	-7.2	10.9	-33.8	17.1	0.7
Consumer price index	2002=100	104.6	106.9	108.8	110.8	113.3	113.7	116.3	119.1
	% change	1.9	2.2	1.8	1.8	2.3	0.4	2.3	2.4

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	274,422	282,929
	% change	2.7	1.8	1.7	2.8	1.0	-1.2	3.0	3.1
Employment	thousands	3,680	3,717	3,765	3,852	3,882	3,844	3,921	4,000
	% change	1.4	1.0	1.3	2.3	0.8	-1.0	2.0	2.0
Unemployment rate	%	8.5	8.3	8.0	7.2	7.2	8.5	7.9	7.6
Retail sales	\$ millions	78,518	82,533	86,709	90,663	95,321	94,493	99,699	104,089
	% change	4.2	5.1	5.1	4.6	5.1	-0.9	5.5	4.4
Housing starts	units	58,448	50,910	47,877	48,553	47,925	44,008	52,000	45,800
	% change	16.2	-12.9	-6.0	1.4	-1.3	-8.2	18.2	-11.9
Consumer price index	2002=100	104.5	106.9	108.7	110.4	112.7	113.4	114.9	117.3
	% change	1.9	2.3	1.7	1.6	2.1	0.6	1.4	2.1

Tables

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	23,769	24,292
	% change	2.8	1.2	2.7	0.4	0.0	-0.5	2.3	2.2
Employment	thousands	350	351	355	363	366	366	366	370
	% change	2.0	0.1	1.4	2.1	0.9	0.1	-0.2	1.3
Unemployment rate	%	9.8	9.7	8.8	7.5	8.6	8.9	8.9	8.6
Retail sales	\$ millions	7,963	8,326	8,814	9,318	9,872	9,861	10,314	10,728
	% change	1.7	4.6	5.9	5.7	5.9	-0.1	4.6	4.0
Housing starts	units	3,947	3,959	4,085	4,242	4,175	3,483	4,300	3,500
	% change	-12.1	0.3	3.2	3.8	-1.6	-16.6	23.4	-18.6
Consumer price index	2002=100	104.9	107.4	109.2	111.3	113.2	113.5	115.9	118.4
	% change	1.4	2.4	1.7	1.9	1.7	0.3	2.1	2.1

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	29,652	30,096
	% change	0.9	1.1	0.8	1.2	2.2	-0.3	1.8	1.5
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	1.7
Unemployment rate	%	8.8	8.4	7.9	8.0	7.7	9.2	8.9	8.6
Retail sales	\$ millions	10,297	10,527	11,163	11,636	12,129	12,172	12,860	13,322
	% change	2.8	2.2	6.0	4.2	4.2	0.3	5.7	3.6
Housing starts	units	4,717	4,775	4,896	4,750	4,267	3,408	4,200	3,800
	% change	-7.4	1.2	2.5	-3.0	-10.2	-20.1	23.2	-9.5
Consumer price index	2002=100	105.3	108.2	110.4	112.5	115.9	115.7	117.8	120.4
	% change	1.8	2.8	2.1	1.9	3.0	-0.1	1.8	2.2

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	4,244	4,345
	% change	2.6	1.1	2.7	2.5	0.5	0.2	2.1	2.4
Employment	thousands	67	68	69	69	70	69	72	73
	% change	1.3	1.9	0.6	1.1	1.3	-1.1	3.5	1.3
Unemployment rate	%	11.2	10.8	11.1	10.3	10.7	12.0	10.6	10.1
Retail sales	\$ millions	1,385	1,424	1,512	1,629	1,721	1,715	1,808	1,877
	% change	0.1	2.8	6.2	7.7	5.6	-0.3	5.4	3.9
Housing starts	units	919	862	738	750	700	858	820	780
	% change	12.9	-6.2	-14.4	1.6	-6.7	22.6	-4.5	-4.9
Consumer price index	2002=100	105.8	109.1	111.6	113.6	117.5	117.3	119.4	121.9
	% change	2.2	3.2	2.2	1.8	3.4	-0.1	1.7	2.1

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	18,653	19,269
	% change	-1.2	2.2	3.5	9.1	0.5	-9.5	3.3	3.3
Employment	thousands	214	214	216	217	220	215	220	224
	% change	1.0	-0.1	0.7	0.7	1.5	-2.4	2.6	1.6
Unemployment rate	%	15.7	15.2	14.8	13.6	13.2	15.4	14.9	14.1
Retail sales	\$ millions	5,755	5,826	6,026	6,567	7,063	7,251	7,578	7,915
	% change	0.3	1.2	3.4	9.0	7.6	2.7	4.5	4.4
Housing starts	units	2,870	2,498	2,234	2,649	3,233	3,167	4,100	3,100
	% change	6.6	-13.0	-10.6	18.6	22.1	-2.1	29.5	-24.4
Consumer price index	2002=100	104.8	107.6	109.5	111.1	114.3	114.6	117.3	119.8
	% change	1.8	2.6	1.8	1.4	2.9	0.3	2.3	2.2

The material contained in this report is the property of Royal Bank of Canada and may not be reproduced in any way, in whole or in part, without express authorization of the copyright holder in writing. The statements and statistics contained herein have been prepared by RBC Economics Research based on information from sources considered to be reliable. We make no representation or warranty, express or implied, as to its accuracy or completeness. This publication is for the information of investors and business persons and does not constitute an offer to sell or a solicitation to buy securities.

**@Registered trademark of Royal Bank of Canada.
©Royal Bank of Canada.**