



DIVERSIFICATION BOOSTS MANITOBA'S ECONOMIC GROWTH: RBC ECONOMICS

TORONTO, December 13, 2012 — Rebounding agricultural production and stronger grain prices will contribute to a marked improvement in Manitoba's farm incomes into 2013, according to the latest RBC Economics Provincial Outlook released today. RBC forecasts that the strength in agriculture will be a key driver of the projected 2.9 per cent real GDP growth in 2012, up from 2.0 per cent in 2011.

Following double-digit declines over the past two years, Manitoba's agricultural output will rise significantly, by an expected 17 per cent, in 2012 thanks to improved weather conditions. This strong increase has been revised down slightly relative to last quarter reflecting indications of a smaller canola harvest. The expected overall jump in agricultural output will coincide with production problems elsewhere in the world and result in strong gains in prices for grains and oilseed.

RBC notes the pace of growth in the agricultural sector is likely to slow dramatically next year to around four per cent as activity is no longer rebounding from depressed levels. Additionally, with U.S. agricultural output expected to recover from drought conditions, grain and oilseed prices will likely retrace some of their recent gains, weighing on farm income growth as the year progresses.

"In Manitoba, greater strength in manufacturing is expected to offset the expected slowdown in the agriculture in 2013," said Craig Wright, senior vice-president and chief economist, RBC. "This is expected to reflect improved demand for key provincial manufacturing exports as the U.S. recovery gains strength through the forecast."

RBC also assumes solid gains in the mining and oil and gas sector, with increases matching recent average gains close to four per cent in both 2013 and 2014. Though this represents downward revisions from earlier projections, reflecting indications of weaker-than-expected global growth, demand for natural resources are expected to remain strong. As firms expand production capacity, rising business investment will be a key factor supporting Manitoba's real GDP growth forecast of three per cent in 2014.

The RBC Economics Provincial Outlook assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales, housing starts and consumer price indices. The full report and provincial details are available online of 8 a.m. ET today at rbc.com/economics/market/pdf/provfcst.pdf.

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