



ONTARIO'S ECONOMY TO MAINTAIN MODERATE PACE: RBC ECONOMICS

TORONTO, December 13, 2012 — Ontario's economy is set to advance at a moderate, unspectacular speed over the next two years, according to the latest [Provincial Outlook](#) issued today by RBC Economics Research. RBC forecasts real GDP growth in Ontario of 2.3 per cent in 2013 and 2.6 per cent in 2014.

RBC notes that while the outlook may appear to be on par with the province's economic status quo, there will be notable differences in sectoral performances.

"External trade will increase its contribution to Ontario's economic expansion – although this is, of course, contingent on the U.S. economy staying on the rails," said Craig Wright, senior vice-president and chief economist, RBC. "On the other hand, residential investment, which was a powerful economic engine in the province since the start of the recovery, will play a lesser role – in fact, we expect housing construction to decline in 2013 and 2014."

Barring any negative economic impact that the so-called 'fiscal cliff' could cause in early 2013, the U.S. economy is expected to strengthen over the course of the next year, which is good news for Ontario's economic outlook. The U.S. market accounts for nearly 80 per cent of Ontario's international merchandise exports and is significantly important to the province's economic performance.

After weighing on the economy each of the past ten years, net external trade will boost provincial growth in 2013. RBC notes that progress in this direction is already visible with Ontario's vehicle and parts exports rising noticeably in 2012.

Additionally, Ontario's manufacturers – including producers of machinery and equipment and of steel and tubes – will continue to benefit from the boom in Western Canada that is providing attractive opportunities for interprovincial exports.

RBC's Outlook notes that provincial housing activity was surprisingly brisk in the first half of 2012. More recent data, however, indicates that the long-awaited cooling is starting to take shape and will ultimately translate to a decline in new home construction in the coming year.

In terms of fiscal restraint, little change is expected at both the federal and provincial levels. RBC believes this will continue to be a drag on Ontario's growth prospects.

"At \$12.9 billion and projected to reach \$14.4 billion in fiscal 2012, Ontario's provincial deficit represents a tough dragon to slay over the medium-term," explained Wright. "The challenges will be similarly daunting at the federal level, leaving fiscal restraint a necessary focus of public administration in Ontario."

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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 as of 8 a.m. ET today at rbc.com/economics/market/pdf/provcst.pdf.

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