



EXPORT GAINS AND MAJOR PROJECTS HELP DRIVE B.C.'S ECONOMY: RBC ECONOMICS

TORONTO, March 20, 2012 — British Columbia's economic growth is forecast to mirror the national average this year, building on export gains made in fast-growing Asian markets in 2011, according to the latest [RBC Economics Provincial Outlook](#) report by RBC Economics. Two new major provincial projects – the federal government's large order for non-combat ships and the planned modernization of Kitimat's aluminum smelter – will also play key roles in boosting the economy going forward. RBC forecasts real GDP to climb by 2.6 per cent in 2012 and 2.9 per cent in 2013.

There was a welcome development in B.C.'s economy last year – the significant inroads made by exporters in the province to the fast-growing Chinese and South Korean markets. China has now surpassed Japan as the number two export destination in 2011, narrowing the gap with the U.S.

“There remains tremendous untapped potential for B.C.'s softwood lumber producers, despite the somewhat uneven progress in exports to China in the latter part of last year due to uncertainty in China's housing market,” said Craig Wright, senior vice-president and chief economist, RBC. “Encouraging signs of recovery in the U.S. economy should also bode well for exporters, although wood product producers will need to wait until 2013 before seeing a more meaningful strengthening in housing construction south of the border.”

The federal government's pending \$8 billion order for seven non-combat ships represents a tremendous boost to shipbuilding activity in B.C. Work on the Coast Guard and other vessels is expected to start late this year or early in 2013 and will continue over an eight-year period. Some benefits will be felt as early as this year, however, as Seaspan Marine plans to spend \$160 million on readying its shipyard infrastructure in Vancouver and Victoria.

The \$3.3 billion modernization of Rio Tinto Alcan's aluminum smelter in Kitimat will boost capacity by 40 per cent by 2014. The project is reflected in the significant \$870 million increase – a 227 per cent surge – in capital spending intentions by the primary metals industry, according to Statistics Canada's Private and Public Investment Intentions survey report. This industry is among several that plan notable boosts to their capital expenditures in 2012. According to the report, total non-residential investment in the province is scheduled to rise by a solid 11.2 per cent, slightly below the very strong 12.3 per cent increase in 2011.

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“While B.C.’s economy will get a strong lift from exports and major upcoming projects this year, the province’s overall growth will be somewhat weighed down by fiscal restraints and moderating housing market activity,” explained Wright.

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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