



BRITISH COLUMBIA'S ECONOMY TO GROW FASTER THAN NATIONAL AVERAGE: RBC ECONOMICS

TORONTO, September 10, 2012 – British Columbia's economic performance has been mostly positive this year, with encouraging signs developing in key export markets and vibrant activity in domestic sectors, according to the latest [RBC Economics Provincial Outlook](#). Looking ahead, RBC forecasts that softness in the provincial trade sector will be the key factor in slowing real GDP growth to 2.3 per cent this year, down from 2.9 per cent in 2011, and slightly stronger than the national average of 2.1 per cent for 2012.

"Year-to-date employment in British Columbia grew at one of the fastest rates in Canada and retail sales outpaced the national average," said Craig Wright, senior vice-president and chief economist, RBC. "At the same time, sales of new motor vehicles increased by nearly 10 per cent and home building activity remained strong. More plainly put: B.C.'s economic indicators are largely positive."

RBC notes that, despite sky-high home prices in the Vancouver area market, the number of housing units under construction surged by 17 per cent year-over-year in the first seven months of 2012. The market for existing homes, however, showed signs of cooling; resales fell significantly in the Vancouver market where much of the weakness was concentrated, while resales in the rest of province were virtually flat. RBC anticipates that residential investment will only slightly contribute to economic growth in B.C. in 2012.

In 2012, U.S. housing construction finally entered the early stages of recovery, which augured well for B.C.'s exports. There was a 17 per cent increase in softwood lumber exports to the U.S. in the first half of 2012 – welcome news in the province following dramatic declines over the past eight years. Still, RBC notes that lumber exports to the U.S. have a long way to go to return to their pre-U.S. housing crash levels.

"Unfortunately, the breakthrough in B.C.'s lumber exports will be almost entirely offset by setbacks in other commodities and markets," added Wright.

After a spectacular rise for six straight years, provincial lumber exports to China fell this year. At the same time, natural gas exports to the U.S. dropped significantly, and exports to Europe were undermined by that continent's economic woes. Overall, B.C.'s total merchandise exports were little changed so far this year, while merchandise imports rose sharply, by more than eight per cent, indicating that the trade sector is likely to be a drag on provincial growth once again.

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Next year, RBC notes that British Columbia's economy will experience increasing benefits from two major projects that are underway in the province: the federal government's \$8 billion order with Vancouver-based Seaspan Marine for seven non-combat ships and the \$3.3 billion modernization of Rio Tinto's aluminum smelter in Kitimat. Provincial real GDP growth is expected to climb to 2.7 per cent in 2013.

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 7 a.m. ET today at rbc.com/economics/market/pdf/provfcst.pdf.

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