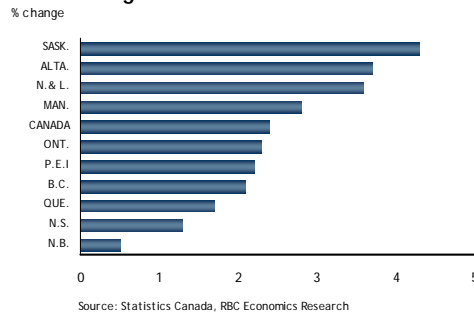


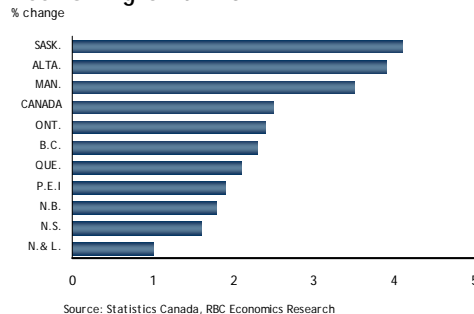
PROVINCIAL OUTLOOK

September 2011

Real GDP growth 2011



Real GDP growth 2012



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Bruised but provincial economies will pull through

Our monitoring of provincial economies detected weakening activity across most regions of the country in recent months. A succession of negative shocks since March that included natural disasters in Japan, flooding in Manitoba, and wildfires in Alberta caused substantial disruptions to key industrial sectors within the provinces. Throw in a surge in gasoline prices and slower growth in the U.S. economy into the mix of adverse factors and the stage was set for a sharp slowdown in momentum in the second quarter of 2011. The recently released national accounts confirmed the disappointing outcome at the national level: as a whole, the Canadian economy contracted for the first time in the second quarter of the year since the recession ended in the middle of 2009.

Soft patch will be short lived

In this issue of *Provincial Outlook*, we take stock of the weaker than expected results to date but re-iterate our assertion that the weakness in the second quarter was largely transitory and that growth will rebound during the second half of this year and be sustained in 2012. As of early September, most of the shocks that knocked growth down this spring and summer either had already run their course or were well underway in doing so. The mere reversal of the production losses in industries such as motor vehicle manufacturing and oil and gas extraction is bound to generate a sizeable boost to growth in the third quarter of 2011. In brief, we expect the soft patch seen in most provinces to be short lived.

Downward revisions to growth for most provinces

Nonetheless, the damage to activity to date will negatively affect annual growth numbers. Accordingly, we downwardly revised our real GDP forecast for all provinces but Saskatchewan (which we boosted to reflect better than expected crop conditions) this year and for most (except Manitoba and Alberta) of next year.

Prairie Provinces, Newfoundland and Labrador leading the way

Despite this generalized downgrading of growth, we see little change in the relative performance of provincial economies compared to our June forecast. Prairie Provinces remain atop our growth rankings this year and next, as they continue to ride the wave of strong capital investment and solid demand for the commodities that they produce. Newfoundland and Labrador will also rank high this year for essentially the same reasons.

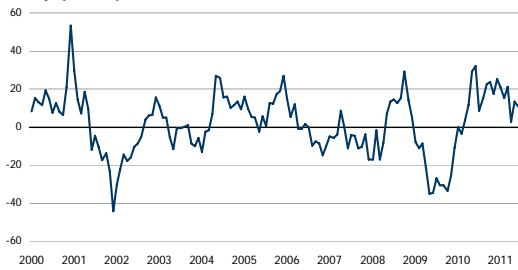
Central Canada to go as U.S. economy goes

We forecast growth in Central Canada and British Columbia to be at or slightly below the national average. Much of the performance in Ontario and Quebec is tied to conditions south of the border where we expect increasingly noticeable improvements going forward—although to a still fairly modest growth rate. On the other hand, British Columbia's economic fate depends less and less on the U.S. market and more and more on non-traditional markets such as China. One factor holding back the B.C. economy this year is weak retail spending.

Most Atlantic Provinces in low gear

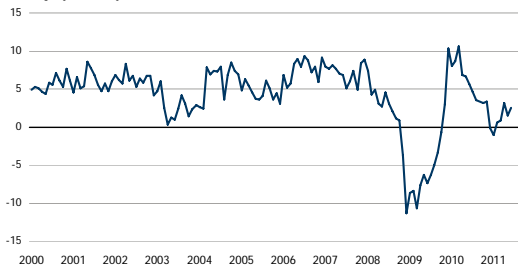
Apart from Newfoundland and Labrador this year, the other Atlantic Provinces are generally stuck in low gear, weighed down by slumping exports in some cases and by employment losses in others. We forecast growth in these provinces to continue to be at the bottom end of the spectrum, with New Brunswick barely advancing in 2011.

British Columbia international exports
% change, year-over-year



Source: Statistics Canada, RBC Economics Research

British Columbia retail sales
% change, year-over-year



Source: Statistics Canada, RBC Economics Research

British Columbia forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-1.8	3.8	2.1	2.3
Employment	-2.1	1.7	1.0	2.1
Unemployment rate (%)	7.7	7.6	7.6	7.0
Retail sales	-4.4	5.3	2.7	4.3
Housing starts (units)	16,077	26,479	26,500	27,800
Consumer price index	0.0	1.4	2.2	1.8

So so year

2011 is shaping up to be a so so year for British Columbia’s economy. While there are some bright spots—including a surge in exports to China—that continue to drive growth in the province, their effect is dimmed by weakness in sectors such as mineral production and retail trade. We remain confident that the B.C. economy will participate in the expected pick up of activity continent-wide in the second half of this year; however, the rate of growth is now projected to be somewhat slower than we previously forecasted: 2.1% in 2011 (from 2.6%) and 2.3% in 2012 (from 3.0%).

B.C. exporters extending their reach

As pointed out in the June edition of *Provincial Outlook*, B.C. exporters continue to diversify successfully into non-traditional markets such as China, thereby developing new sources of growth. In the first half of 2011, B.C. exports to China grew by more than 50% relative to the same period last year (in nominal terms)—led by a nearly three-fold surge in wood products shipments. Exports to South Korea soared by 35% and to Taiwan by 40%. British Columbia’s total international exports advanced by nearly 14% in the first half of 2011, following a 15% gain in 2010. By branching out of the sluggish U.S. housing market, the prospects for the province’s wood products manufacturers have improved. B.C. lumber production was up 7.6% year-over-year in the first five months of 2011 on a volume basis.

Some weakness in real mineral production

The strong overall export picture so far this year emerged despite key industrial sectors experiencing real output declines. Volumes of production fell at metal—including copper, zinc, gold, silver, and iron ore—and other mineral mining operations such as coal in the province. The effect on nominal production values and exports of such volume declines, however, was more than offset in many cases by strong rises in end-product prices.

Slow growth in retail sales

After raising some concerns earlier this year when the jobless rate spiked to an eight-year high of 8.8% in February, British Columbia’s labour market has since been on the mend. Job creation resumed mid-winter, which helped bring the unemployment rate back down to 7.5% by August. Nonetheless, the earlier setback on the jobs front is likely a factor that restrained retail sales growth to the slowest rate among the provinces in the first half of this year. Subpar job prospects and poor housing affordability have kept a lid on new home construction, with the trend in housing starts tracking only slightly higher to date.

Referendum results raise uncertainty

Overall, momentum in British Columbia’s economy has been slower than we expected during the first half of this year, which prompted us to revise our real GDP forecast lower for both this year and next. While we continue to project a pick up in growth in 2012 relative to 2011, the rejection of the HST in this summer’s mail-in referendum has added downside risk. The reinstatement of the old PST and the shift of the tax burden toward businesses that this would represent could weigh on the pace of business investment and job creation in the province.

Robert Hogue
Senior Economist



The powerhouse is back!

Economic momentum continued to rebuild this year in Alberta despite the terrible forest fires that destroyed communities and significantly disrupted crude oil production in May. The negative economic effect from these events will be short lived, however. We expect Alberta to be among the provincial leaders in real GDP growth—second only to Saskatchewan—with a rate of 3.7%. Continued strength in energy-related sectors will support a slight acceleration to 3.9% in 2012, thereby maintaining Alberta’s status as a growth powerhouse.

Oil operations shut down in May

Thanks in large part to the ramping up of production at major oilsands projects, crude oil output increased rapidly in Alberta in the past two years. This rising trend even showed signs of accelerating earlier this year before devastating wildfires forced widespread shutdowns late in May mainly as precautionary measures. These shutdowns caused provincial oil production to plummet by 12% that month, according to National Energy Board figures. Subsequent reports indicated that most production facilities resumed operations in the weeks that followed, and we anticipate that some of production losses will be recovered during the second half of 2011.

Boom in energy-related investment drives economic growth

The biggest driver of economic activity in Alberta is the investment boom in its energy-related sector. Alberta’s oil and gas extraction producers are slated to spend more than \$24 billion in 2011 or almost 18% more than in 2010, according to intentions expressed in Statistics Canada’s *Private and Public Investment* survey released in February. While the wildfires disrupted some projects in May, major mining and upgrading developments are generally progressing well in the province—they are facing fewer bottlenecks and labour shortages than projects in 2005-2006 at the peak the previous boom—and we are increasingly seeing the benefits spread throughout the Alberta economy. A case in point is employment where the direct and indirect effects of this massive investment have contributed to the strongest jobs gain (more than 77,000) ever recorded in the province for the period covering the first eight months of the year.

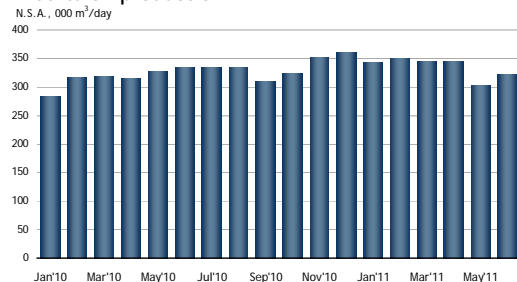
Consumers keep on spending

Such employment gains have been a conduit for the energy sector’s heat to radiate all the way to the consumer sector. Retail sales rose strongly in the first half of this year, maintaining a brisk 6% year-over-year pace amid generalized slowing across other provinces. Alberta consumers’ renewed confidence was visible in their increased spending on big ticket items such as motor vehicles. The main area where the province’s consumers remain hesitant is in the housing market. New home construction continued to be tepid so far this year although we believe that it is just a matter of time before improved job prospects help pick up the pace more meaningfully.

Provincial deficit revised lower

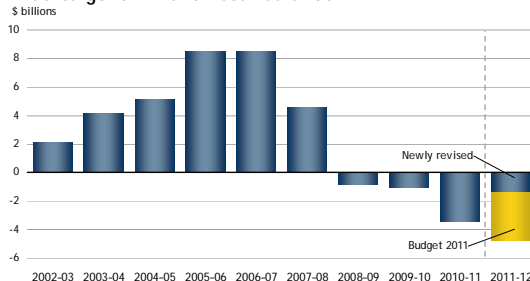
Another significant benefit of Alberta’s hot energy sector is the attendant boost to provincial government revenues. In August, the government revealed that much stronger than expected non-renewable resource revenue prompted it to slash its deficit projection for this fiscal year by \$2.1 billion to \$1.3 billion. While energy revenue can be quite volatile, the Alberta government may be in a position to balance its budget earlier than planned.

Alberta oil production



Source: National Energy Board, RBC Economics Research

Alberta government fiscal balance



Source: Government of Alberta Finance, RBC Economics Research

Alberta forecast at a glance

% change unless otherwise indicated

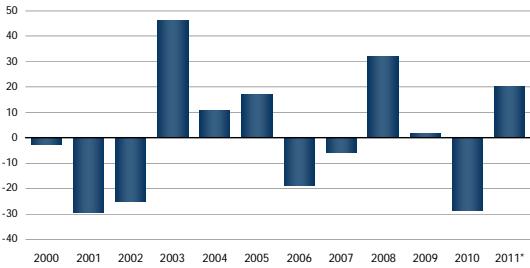
	2009	2010	2011F	2012F
Real GDP	-4.5	3.7	3.7	3.9
Employment	-1.4	-0.4	3.4	2.7
Unemployment rate (%)	6.6	6.5	5.6	5.4
Retail sales	-8.3	6.0	6.2	5.7
Housing starts (units)	20,298	27,088	24,500	30,000
Consumer price index	-0.1	1.0	2.0	1.8

Robert Hogue
Senior Economist



Saskatchewan field crop production

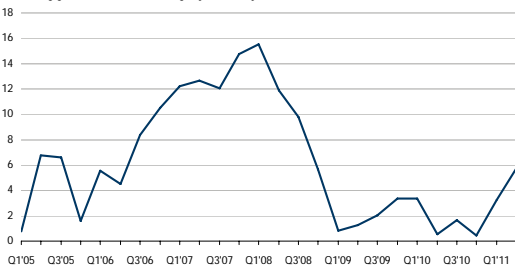
Wheat, canola, and barley, % change, year-over-year



Source: Statistics Canada, RBC Economics Research
*Statistics Canada August 2011 estimate.

Saskatchewan retail sales

Excluding gasoline stations, % change, year-over-year



Source: Statistics Canada, RBC Economics Research

Saskatchewan forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-3.9	4.5	4.3	4.1
Employment	1.3	0.9	1.0	2.4
Unemployment rate (%)	4.8	5.2	5.0	4.8
Retail sales	-0.5	3.1	6.8	4.7
Housing starts (units)	3,866	5,907	6,500	5,500
Consumer price index	1.1	1.3	2.5	2.6

Basking in the sunshine

The outlook for Saskatchewan has brightened along with the return of more favourable weather conditions during the summer. This has resulted in a marked improvement in the outlook for agricultural production in the province. The expected harvest of the three largest crops in the province looks likely to be up 20% based on Statistics Canada projections as of the end of July. This will go a long way to reverse the 28% decline in 2010 and represents a marked improvement from the start of the crop year when high moisture levels threatened to limit substantially the recovery in the harvest. The agricultural sector has been further helped by strong prices for grains globally, which were generally 40–50% higher by mid-year relative to year ago levels. This strength in large part reflects both production problems elsewhere around the globe (and even closer to home in its neighbouring province of Manitoba) and continued solid global demand for grains.

Strength in potash production continues

As producers in other major growing regions attempt to boost output to take advantage of high prices, there has been a rebound in demand for fertilizer. This in turn has further fuelled demand for potash. Production of this key Saskatchewan output looks poised to rise by a robust 20% this year although this rate would be down from more than 100% in 2010. The surge last year largely represented a rebound from extremely depressed conditions during the recent global recession. Solid demand for most natural resource products is contributing to growth in manufacturing output in the province returning to double-digit gains in the second quarter, on a year-over-year basis.

High commodity prices supporting incomes

The pace of retail spending also accelerated in the second quarter. Sales growth, excluding receipts from gasoline stations, which were inflated by high gasoline prices, doubled to close to 6%, on a year-over-year basis, from a rate of about 3% in the first quarter. This acceleration occurred despite employment growth in the province surprisingly weakening through the second quarter. The strength in prices for grain, along with other commodities such as oil and potash, may be providing support to incomes to help pay for this rising expenditure.

Stronger rebound in agriculture boosts this year’s growth outlook

The more optimistic outlook for agricultural production in the province along with the continued solid gains in potash production has caused us to revise our growth forecast upward for the Saskatchewan economy this year to 4.3% from the 3.8% previously projected. This earlier than expected rebound in agricultural production has also prompted us to revise growth downwardly in 2012 to 4.1% from 4.7% previously. These revised growth numbers continue to place Saskatchewan atop our provincial rankings in both years. This is shaping up to be a golden age for Saskatchewan’s economy, as it will ride the tidal wave created by strong global demand for its various natural resources that will lift, both directly and indirectly, incomes and capital expenditures in the province.

Paul Ferley
Assistant Chief Economist

Extremes in the weather hampers agriculture

In contrast to its provincial neighbour to the west, agricultural growing conditions have generally remained adverse during the season to date. Extremely wet conditions, including flooding in many areas, hampered plantings in the spring. Unfortunately, this was then followed by extremely hot and dry conditions in July and August that proved too late for planting and instead hampered the growth of fields that had been seeded. As a result, production of wheat and canola looks like it will be down by more than 20% this year following a close to 10% drop in 2010. Some offset to the weaker production for farm incomes will be provided by higher grain prices globally, which were boosted by weather-related production problems in other parts of the world as well.

Manufacturing continues to recover

More encouraging has been indications of the continuing strength in manufacturing in the province. After a 10% decline in manufacturing sales in 2009, we saw some ‘improvement’ in 2010 in the form of an easing in the pace of decline to around 2%; however, data from the first half of 2011 are pointing to solid growth closer to 10%. This strength is relatively broadly based with solid year-over-year increases in machinery production and strengthening chemical production. Production of transportation equipment has continued to grow, yet there has been a noticeable weakening in the second quarter. Our expectation of a strengthening in the U.S. recovery in the period ahead, however, would suggest that any such weakness will soon be reversed.

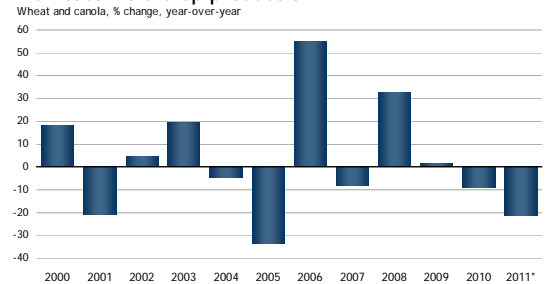
Base and precious metals benefit from high prices

Metal production in Manitoba continues to benefit from historically high prices globally, with prices for base metals and precious metals up 24% and 32%, respectively, by August relative to year-earlier levels. Such results are helping to support revenue growth in the mining sector. The contribution of oil production to overall provincial output is small compared to its western neighbours although it continues to grow rising more than 20% to date this year. This matches the gain in 2010 and doubles the growth rate of 2009. High global prices for oil are providing an additional boost to income growth in the province.

Growth lowered in 2011 but raised in 2012

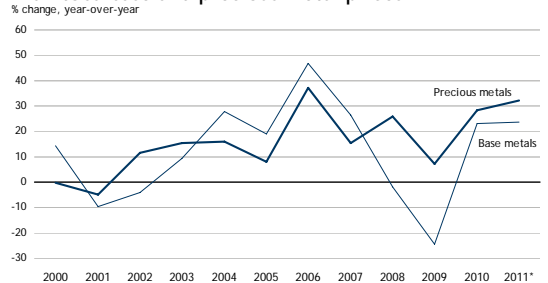
In terms of our projection for overall real GDP growth in the province, the more negative outlook for agriculture has been a key development prompting us to revise it down significantly this year to 2.8% from the 3.6% projected in June; however, the expected return to more favourable growing conditions in 2012 and the attendant recovery in agricultural production led us to boost 2012 growth to 3.5% from 3.4% previously. These revisions still show Manitoba’s economic growth exceeding the national average in both years.

Manitoba field crop production



Source: Statistics Canada, RBC Economics Research
*Statistics Canada August 2011 estimate.

Manitoba base and precious metal prices



Source: RBC Commodity Price Index, RBC Economics Research
*January - August 2011.

Manitoba forecast at a glance

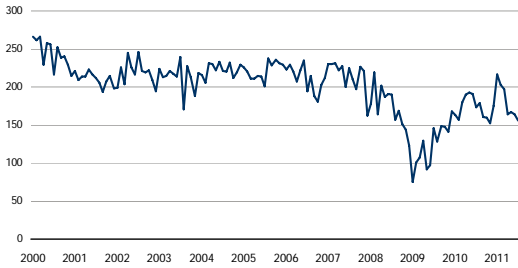
% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	0.0	2.2	2.8	3.5
Employment	0.0	1.9	1.2	1.6
Unemployment rate (%)	5.2	5.4	5.4	5.2
Retail sales	-0.4	5.6	4.6	5.2
Housing starts (units)	4,174	5,888	5,500	5,500
Consumer price index	0.6	0.8	2.8	2.1

Paul Ferley
Assistant Chief Economist

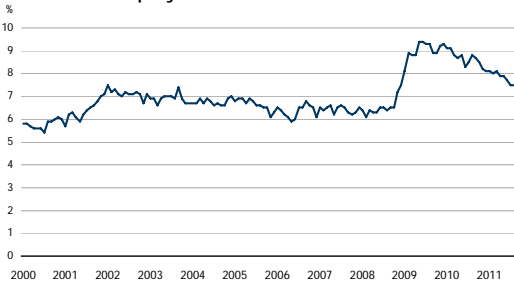
Ontario car and truck production

S.A., thousand units



Source: Automotive News, RBC Economics Research

Ontario unemployment rate



Source: Statistics Canada, RBC Economics Research

Ontario forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-3.6	3.0	2.3	2.4
Employment	-2.5	1.7	2.1	1.6
Unemployment rate (%)	9.0	8.7	7.8	7.6
Retail sales	-2.5	5.4	3.8	3.9
Housing starts (units)	50,370	60,433	65,100	57,800
Consumer price index	0.4	2.4	3.0	2.1

Economy hits a bump

Just when we thought that the Ontario economy was en route to a breakthrough year, it hit a bump on the road, thereby slowing its progress toward full recovery from the recession. Supply-chain disruptions in the auto sector and slower than expected growth in the U.S. economy have dimmed the outlook for Ontario this year and next. We are consequently lowering our call for real GDP growth in the province to 2.3% in 2011 (from 3.3%) and 2.4% in 2012 (from 3.1%).

Auto production dips

The encouraging trends that we saw in Ontario’s auto sector at the start of this year soured in March when the industry’s supply chains became severely disrupted by the earthquake and tsunami in Japan. A number of assembly plants in the province either halted operations or curtailed production for several weeks this spring and early summer. As a result, car and truck output plummeted by 14% in the second quarter relative to the same period a year ago. This decline entirely reversed the strong gains in the first quarter. While we believe that supply-chain issues have largely been resolved at this point and will no longer hinder the industry in the months ahead, the overall performance of Ontario’s auto sector in 2011 will be weaker than we previously anticipated.

Consumers slow their march to the shopping malls

Another factor dampening economic performance of the province in the first half of this year has been high energy prices. The surge in gasoline prices during the fall of last year and this winter, in particular, likely contributed in the restraint that Ontario consumers have shown at shopping malls so far this year. Excluding sales at gasoline stations, retail sales in the province have grown by only 2.0% year-over-year in the first half of 2011. This marked a considerable slowing from the rate of 4.5% in 2010. The modest drop in gasoline prices since spring will ease pressure on household budgets in the months ahead, and we anticipate that Ontario consumers will loosen their purse strings again. Nonetheless, we lowered our expectation for retail sales growth in the province for 2011.

Job market posting further gains

Not all news has been disappointing recently in Ontario. The most encouraging trend continued to be the gains in the job market. 85,000 new jobs were created during the first eight months of this year, and the unemployment rate fell by 0.6 percentage points to 7.5% by August. As of August, there were 36,000 more people employed in the province than at the pre-recession peak. Although this labour market improvement has not quite translated into strength in retail spending yet, it likely has helped to maintain brisk activity in Ontario’s housing market. New home construction picked up in both the first and second quarters, with housing starts rising above the 70,000 units (annualized) mark on a quarterly basis for the first time since the middle of 2008. We expect housing construction to slow down in the second half of this year but to remain at levels still conducive to growth in the provincial economy overall in 2011.

Robert Hogue
Senior Economist



Moving beyond the temporary lull

The Quebec economy took a pause this spring following a strong start to 2011. Sluggish U.S. demand earlier this year and the high Canadian dollar caught up with the province's manufacturers in the second quarter, while changes to mortgage lending rules and deteriorating housing affordability contributed to a cooling of activity in Quebec's housing sector. This pause will be short lived, however, and we expect stronger growth to re-emerge in the latter half of this year, driven by an expected rebound in the U.S. economy, improved job prospects, and higher capital spending. We have, nonetheless, revised our forecast for real GDP growth lower to 1.7% in 2011 and 2.1% in 2012 to reflect weaker than expected performance to date and our downgraded outlook for Quebec's key export markets.

Quebec's economy contracted in the second quarter?

In the June issue of *Provincial Outlook*, we warned that rapid growth registered in the early months of 2011 by the Quebec economy would not be sustained. Among other things, we foresaw some retrenchment on the part of consumers that we thought would dampen demand for housing and restrain growth at retail stores. Data released since June confirmed such a slowing in the pace of activity this past spring. Monthly real GDP estimates from the *Institut de la statistique du Québec* indicated that several industries lost some ground in the April-May period, including the retail trade and residential construction sectors. In fact, the general weakness in the province in the second quarter is likely to be even greater than we anticipated. We would not be surprised now to see a small contraction in Quebec's economy during that period (second quarter data will be released later in September)—much as was the case at the national level.

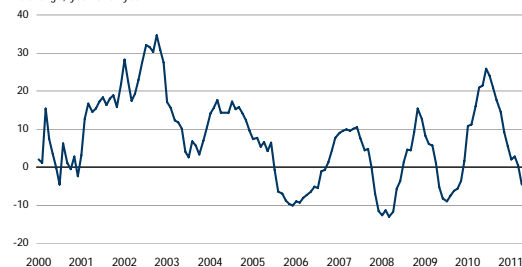
Growth to resume in the second half of this year

The outlook for the remainder of the year, however, is still generally favourable. An expected rebound in growth in the United States and elsewhere in Canada will re-invigorate demand for Quebec's export products, and steady improvement in the province's job market will stimulate consumer demand. Perhaps more importantly, higher investment in non-residential structures and equipment by both the private and public sectors will generate substantial construction activity outside the residential sector. Statistics Canada's survey of investment intentions in February indicated that public and private enterprises planned to boost non-residential capital expenditures by 6.6% this year to a record \$44 billion. Most of this investment will be directed at the public infrastructure, electricity generation capacity, and mining and metal refining sectors. On the other hand, we expect new home construction to continue to moderate gradually.

Positive trends in the labour market

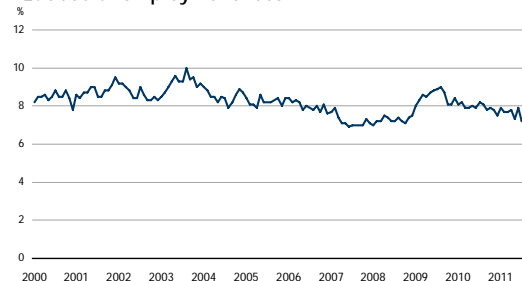
One reason to be optimistic about Quebec's near-term prospects is the positive trends in job market. Despite the economic lull this spring, there have been more than 16,000 net new jobs created in the first eight months of this year. More impressive has been the steady decline in the province's unemployment rate, which in July fell to its lowest point (7.2%) in almost three years before rising modestly to 7.6% in August. We expect job creation will shift to a higher gear in the period ahead and that the tally of net new jobs will rise to nearly 60,000 by the time we close the book on 2011.

Quebec residential construction industry real GDP
% change, year-over-year



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

Quebec unemployment rate



Source: Statistics Canada, RBC Economics Research

Quebec forecast at a glance

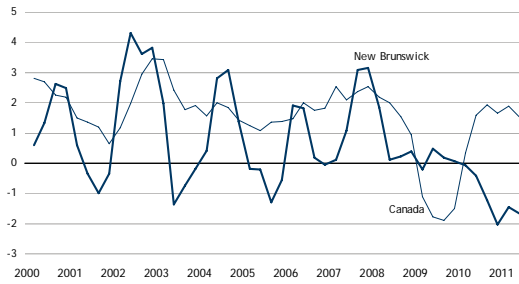
% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-0.3	2.9	1.7	2.1
Employment	-0.8	1.7	1.6	1.3
Unemployment rate (%)	8.5	8.0	7.6	7.5
Retail sales	-1.1	6.3	2.8	4.4
Housing starts (units)	43,403	51,363	48,100	44,300
Consumer price index	0.6	1.3	2.7	2.0

Robert Hogue
Senior Economist

New Brunswick employment

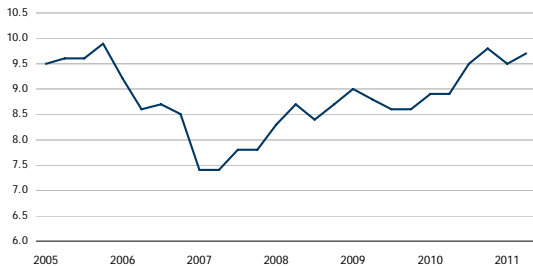
S.A., % change, year-over-year



Source: Statistics Canada, RBC Economics Research

New Brunswick unemployment rate

S.A., %



Source: Statistics Canada, RBC Economics Research

New Brunswick forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-0.3	2.8	0.5	1.8
Employment	0.1	-1.0	-1.0	1.2
Unemployment rate (%)	8.8	9.3	9.7	9.3
Retail sales	0.7	4.9	4.4	3.4
Housing starts (units)	3,521	4,101	3,200	3,200
Consumer price index	0.3	2.1	3.1	2.2

Recovery lacking traction

Public-sector restraint and lacklustre U.S. demand have weighed on New Brunswick's economic growth this year. The province's manufacturing and export sectors slowed down significantly in the second quarter, and cutbacks in public-sector jobs contributed to the declining trend in employment. A host of weaker than expected economic data led us to revise downward our forecast for real GDP growth in New Brunswick to 0.5% in 2011, from 1.9% previously. We expect the pace will pick up to 1.8% next year, supported by rebounding growth in the U.S. and Canadian economies.

Second quarter slowdown

In our June *Provincial Outlook* report, we asserted that rising incomes from nominal gains in manufacturing and exports achieved at the start of this year would provide a boost to New Brunswick's domestic economy and lead to more self-sustaining growth for the province. The recent data in these areas have taken a turn for the worse, however. Manufacturing shipments fell 0.8% in the second quarter (the first quarterly decline since the beginning of 2009), while exports slipped by 0.6% on a seasonally adjusted basis. Growth in retail and wholesale trade both softened to 0.6%, from rates of 2.7% and 2.5% in the first quarter, respectively. This slowdown in the pace of these key economic sectors in the second quarter has dimmed growth prospects for the province this year.

Employment: searching for the bottom

Declining employment has been a source of concern for New Brunswick for the last two years and continued to be in the first half of 2011. Provincial employment fell a further 0.7% or 2,300 jobs between the fourth quarter of last year and the second quarter of this year. This has maintained an upward trend in the provincial unemployment rate, which contrasts sharply with declines in the majority of provinces. Some of the bigger job losses were in the public sector this year, with employment in health, education, and public administration falling by 2,200 jobs during the first two quarters. Construction jobs also declined noticeably by 1,000, likely reflecting drops in housing starts and non-residential investment, while retail trade and other service industries shed 2,100 jobs each. On the upside, earlier job declines have reversed in a number of key industries, including manufacturing, finance, insurance, real estate, and professional and business services. We believe that ongoing gains in the latter sectors and in other areas will be the dominant trend going forward and will lead to a net employment growth in the province next year.

Temporary weakness

As a resource economy with exports concentrated in the United States, New Brunswick is sensitive to changes in external conditions. Although economic growth in the provinces is likely to be quite weak this year, prospects are better in the longer term: demand from the developing world will keep resource prices relatively firm, while a recovery in the U.S. economy will increase demand for New Brunswick's products. This will feed into the domestic economy and allow it to resume growth at a stronger pace of 1.8% next year.

Kirsten Cornelson
Economist

Back to a slow grind

Nova Scotia's economy has had its share of challenges so far this year, with declining energy production, reduced major project spending, and slower growth in the U.S. and Canadian economies. Disappointing data in recent months have led us to revise down our forecasts for both this year and next. While we had previously been forecasting slightly faster than average growth of 1.7% for the province in 2011, we now project something closer to Nova Scotia's typically slow pace, with our call at 1.3%. We expect the rate of expansion to accelerate slightly to 1.6% in 2012.

Manufacturing and exports slowing down recently

After five quarters of strong performance, Nova Scotia's manufacturing sales fell by 1.0% in the second quarter of 2011. During the same period, exports remained essentially flat on a seasonally adjusted basis, with strong gains in forestry and agricultural products cancelling out a large drop in energy exports. This weakening of export and manufacturing activity has slowed gains so far this year, but it did not reverse them as both sectors are still up on a year-over-year basis. Looking ahead, however, declines in energy production at the Sable natural gas field mean that the scope for further growth in these areas is limited for the rest of this year. The start of production at the Deep Panuke natural gas field at the end of 2011 and the resumption of stronger economic growth in the United States and the rest of Canada are expected to provide a boost to exports and manufacturing shipments in 2012.

Lower building activity weighs on employment

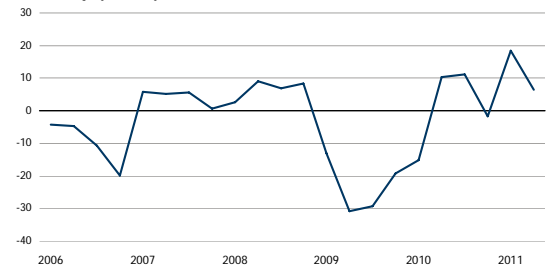
Employment in Nova Scotia has grown only marginally in the last three years, at an average of just 0.3% per year. This year is no different: although employment grew at 1.1% in the first quarter, it dropped by 0.7% in the second for a net increase of 0.3% in the first half of the year. The recent decline was concentrated in the business, building and support services, construction, and finance, insurance, and real estate industries. Job losses in these areas may be related to lower capital spending by the provincial government, which projected a 21% drop in the last budget. Continued expenditure restraint by the federal and provincial governments, combined with an expected slowdown in residential construction, will limit the prospects for a significant and sustained pick up in employment in the near term. The pace of job growth should improve in 2012, however, with the provincial economy showing more vigour.

Slow growth is the norm in Nova Scotia

At 1.3%, our forecast for Nova Scotia's real GDP growth for 2011 will be the second slowest in the country. Interestingly, this would be slightly faster than normal growth for the province, which has expanded at an average of 1.2% for the last 10 years. In fact, our 1.6% call in 2012 would be the tenth consecutive year of sub-2.0% growth in the province.

Nova Scotia exports

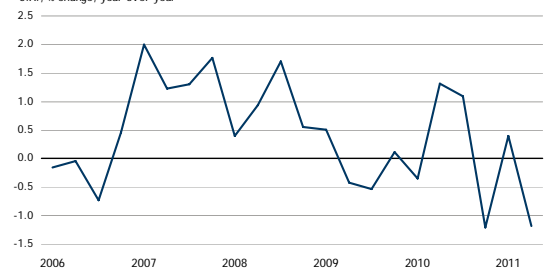
S.A., % change, year-over-year



Source: Statistics Canada, RBC Economics Research

Nova Scotia employment

S.A., % change, year-over-year



Source: Statistics Canada, RBC Economics Research

Nova Scotia forecast at a glance

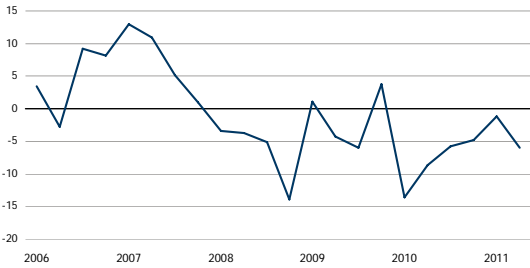
% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-0.1	1.9	1.3	1.6
Employment	-0.1	0.2	0.4	1.3
Unemployment rate (%)	9.2	9.3	9.2	9.1
Retail sales	0.1	4.6	2.5	3.6
Housing starts (units)	3,438	4,309	4,400	3,600
Consumer price index	-0.1	2.2	3.4	2.2

Kirsten Cornelson
Economist

PEI manufacturing shipments

S.A., quarterly, % change, year-over-year



Source: Statistics Canada, RBC Economics Research

PEI population growth

% change, year-over-year



Source: Statistics Canada, RBC Economics Research

Prince Edward Island forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-0.1	2.1	2.2	1.9
Employment	-1.4	3.0	1.1	1.3
Unemployment rate (%)	12.0	11.1	11.5	10.9
Retail sales	-1.3	5.2	4.3	3.8
Housing starts (units)	877	756	800	800
Consumer price index	-0.1	1.8	2.7	2.3

Kirsten Cornelson
Economist

Domestic vigour prevails

In recent months, a performance gap has emerged between Prince Edward Island’s externally oriented export and manufacturing sectors, which have shown little traction since the recession, and the domestic economy, which is seeing healthy growth. While the disappointing external data have led us to revise down our GDP growth forecasts very slightly in both 2011 and 2012, we still expect that strength in the domestic sector will allow the province to maintain decent growth rates of 2.2% and 1.9%, respectively.

External forces dampen growth

Signs have yet to emerge to show that PEI’s externally oriented industries have definitely turned the corner from the recession slump. This year, reduced demand from the United States and the rest of Canada has weighed on performance in the province’s manufacturing and export sectors. Manufacturing shipments fell by 2.3% in the first half of 2011, relative to the same period in 2010, while merchandise exports dropped by 1.2% (excluding the effect of a spike in iron ore exports in May, which the province does not produce.) A large decline in lobster exports accounted for the bulk of the external weakness, with gains in potato products and a number of other foods providing a partial offset. Most tourism indicators suggest that a tough year might be shaping up for 2011. Bridge and air traffic, visitor inquiries, and visits to several major tourist sights were all significantly down in the first half of the year compared to 2010 (although room-nights sold were up).

No place like home

Compared to the export and manufacturing sectors, domestic data for PEI have been generally more upbeat. Sustaining robust demand within the province has been healthy population growth. In fact, strong international immigration into the province boosted PEI’s population growth to its fastest rate (1.5% in the second quarter of 2011) since 1975, and the top rate in the country in the first and second quarters of this year. Favourable demographics and continued job creation supported increased spending by consumers (sales by both retailers and wholesalers were up in the first half of 2011) and higher levels of residential construction (housing starts rose in the first seven months of this year). PEI’s domestic activity also benefited from rapid expansion on the non-residential construction side, driven in large part by the provincial government’s capital plan to spend \$137 million this year (according to the 2011 PEI budget). Planned capital spending is expected to shrink by 30% in 2012, which will act as a drag on growth in non-residential construction next year.

All’s well that ends well

All things considered, we forecast the PEI economy to grow at a decent pace of 2.2% in 2011. Next year, we expect some rebalancing in the composition of growth: improving external conditions will provide a boost to the agri-food and tourism sectors, but construction faces significant headwinds from cutbacks in public capital spending. On net, we project a slightly slower growth rate of 1.9% in 2012.

Holding its own

The Newfoundland and Labrador economy has seen strong growth in 2010 and the first part of 2011, propelled by high levels of non-residential investment and a booming minerals sector. While there are now signs that the economy is beginning to cool, we still expect the province to be among the growth leaders in Canada for 2011. We forecast real GDP to advance by 3.6% this year. In 2012, however, we anticipate that declining oil production will restrain growth to just 1.0%.

Shutdowns hindered energy exports

Energy production in Newfoundland and Labrador is down so far this year, due to rapid maturation of most major oil wells, combined with a temporary shutdown at the Terra Nova oilfield. Nominal energy exports were strong in the first quarter (due to higher oil prices) but fell by 18% in the second quarter. This drop mainly reflected a scheduled maintenance shutdown at the Come-by-Chance refinery. With the refinery resuming operations in August, the beginning of production at the next phase of Hibernia Southern extension starting soon, and the end of repairs at Terra Nova in the fourth quarter, we expect to see a significant improvement in energy exports in the latter part of the year. Nonetheless, we expect energy production to resume its downward trend in 2012, due to declining output at mature oilfields.

Major project spending: steady as she goes

Non-residential investment has been a major driver of growth for Newfoundland and Labrador during the past year, with double-digit increases in three of the last four quarters. This increase continued in the second quarter of 2011 but at a somewhat slower pace of 4.5%. Major project spending is expected to remain high for the next several years, with construction ramping up on several large long-term projects such as the Muskrat Falls Hydro Development and the Hebron Oil Project. Residential construction has slowed in recent months, with housing starts falling from 3,900 units (at annualized) in the first quarter to 3,400 units in the second. We expect further moderation in housing construction for the rest of this year and next year.

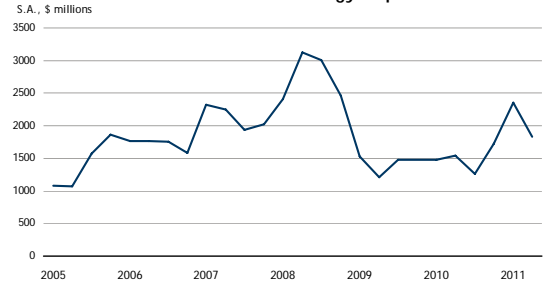
Job creation stalled but not for long

Employment growth stalled in the second quarter, with employment in the province decreasing by -0.3% from the first quarter. This is the first time that employment has declined in Newfoundland and Labrador since the third quarter of 2009, and represents a significant shift from the robust 2.8% pace in the first quarter. We expect job creation to resume in the remainder of this year, leading to overall employment growth of 3.8% in 2011—the strongest among the provinces.

Future is bright

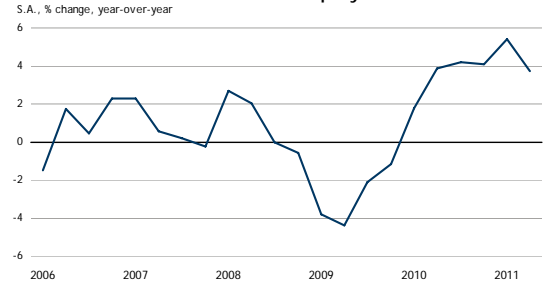
As with any economy based on natural resources, economic growth in Newfoundland and Labrador is subject to significant volatility. While we are forecasting more moderate growth of 1.0% in 2012, we do not see this as a reflection of any change in the underlying potential of the economy. Ongoing high levels of investment in natural resources and the attendant boost to incomes mean that Newfoundland and Labrador has many years of solid economic performance to come.

Newfoundland and Labrador energy exports



Source: Statistics Canada, RBC Economics Research

Newfoundland and Labrador employment



Source: Statistics Canada, RBC Economics Research

Newfoundland forecast at a glance

% change unless otherwise indicated

	2009	2010	2011F	2012F
Real GDP	-10.2	5.8	3.6	1.0
Employment	-3.0	3.4	3.8	1.9
Unemployment rate (%)	15.5	14.4	12.0	11.2
Retail sales	1.6	4.6	4.6	3.6
Housing starts (units)	3,057	3,606	3,600	3,300
Consumer price index	0.3	2.4	2.9	2.2

Kirsten Cornelson
Economist



Forecast detail

Average annual % change unless otherwise indicated

	Real GDP				Employment				Unemployment rate %				Housing starts Thousands				Retail sales				CPI			
	09	10F	11F	12F	09	10	11F	12F	09	10	11F	12F	09	10	11F	12F	09	10	11F	12F	09	10	11F	12F
N. & L.	-10.2	5.8	3.6	1.0	-3.0	3.4	3.8	1.9	15.5	14.4	12.0	11.2	3.1	3.6	3.6	3.3	1.6	4.6	4.6	3.6	0.3	2.4	2.9	2.2
P.E.I.	-0.1	2.1	2.2	1.9	-1.4	3.0	1.1	1.3	12.0	11.1	11.5	10.9	0.9	0.8	0.8	0.8	-1.3	5.2	4.3	3.8	-0.1	1.8	2.7	2.3
N.S.	-0.1	1.9	1.3	1.6	-0.1	0.2	0.4	1.3	9.2	9.3	9.2	9.1	3.4	4.3	4.4	3.6	0.1	4.6	2.5	3.6	-0.1	2.2	3.4	2.2
N.B.	-0.3	2.8	0.5	1.8	0.1	-1.0	-1.0	1.2	8.8	9.3	9.7	9.3	3.5	4.1	3.2	3.2	0.7	4.9	4.4	3.4	0.3	2.1	3.1	2.2
QUE.	-0.3	2.9	1.7	2.1	-0.8	1.7	1.6	1.3	8.5	8.0	7.6	7.5	43.4	51.4	48.1	44.3	-1.1	6.3	2.8	4.4	0.6	1.3	2.7	2.0
ONT.	-3.6	3.0	2.3	2.4	-2.5	1.7	2.1	1.6	9.0	8.7	7.8	7.6	50.4	60.4	65.1	57.8	-2.5	5.4	3.8	3.9	0.4	2.4	3.0	2.1
MAN.	0.0	2.2	2.8	3.5	0.0	1.9	1.2	1.6	5.2	5.4	5.4	5.2	4.2	5.9	5.5	5.5	-0.4	5.6	4.6	5.2	0.6	0.8	2.8	2.1
SASK.	-3.9	4.5	4.3	4.1	1.3	0.9	1.0	2.4	4.8	5.2	5.0	4.8	3.9	5.9	6.5	5.5	-0.5	3.1	6.8	4.7	1.1	1.3	2.5	2.6
ALTA.	-4.5	3.7	3.7	3.9	-1.4	-0.4	3.4	2.7	6.6	6.5	5.6	5.4	20.3	27.1	24.5	30.0	-8.3	6.0	6.2	5.7	-0.1	1.0	2.0	1.8
B.C.	-1.8	3.8	2.1	2.3	-2.1	1.7	1.0	2.1	7.7	7.6	7.6	7.0	16.1	26.5	26.5	27.8	-4.4	5.3	2.7	4.3	0.0	1.4	2.2	1.8
CANADA	-2.8	3.2	2.4	2.5	-1.6	1.4	1.8	1.7	8.3	8.0	7.5	7.3	149	190	188	182	-2.9	5.5	3.9	4.4	0.3	1.8	2.7	2.1

Key provincial comparisons

2009 unless otherwise indicated

	N. & L.	P.E.I.	N.S.	N.B.	QUE	ONT	MAN	SASK	ALTA	B.C.
Population (000s) (2010)	510	142	943	752	7,907	13,211	1,235	1,046	3,721	4,531
Gross domestic product (\$ billions)	25.0	4.8	34.3	27.5	303.7	578.2	51.0	56.6	247.2	191.0
Real GDP (\$2002 billions)	18.1	4.2	28.9	23.3	267.5	509.4	42.1	39.8	178.2	161.9
Share of Canada real GDP (%)	1.4	0.3	2.3	1.8	20.8	39.7	3.3	3.1	13.9	12.6
Real GDP growth (CAR, 2004-09, %)	1.0	1.4	0.9	0.8	1.3	0.5	2.1	1.1	1.7	2.0
Real GDP per capita (\$ 2002)	35,657	29,512	30,806	31,113	34,168	38,992	34,502	38,683	48,553	36,287
Real GDP growth rate per capita (CAR, 2004-09, %)	1.4	0.9	0.9	0.8	0.5	-0.6	1.4	0.4	-0.8	0.6
Personal disposable income per capita (\$)	25,957	24,054	26,183	26,105	26,031	28,565	26,915	29,426	36,818	28,038
Employment growth (CAR, 2005-10, %)	0.6	0.8	0.5	0.5	1.1	0.7	1.3	1.6	2.0	1.5
Employment rate (Jul. 2011, %)	52.6	60.1	58.0	56.2	60.4	61.7	65.2	65.8	69.9	60.1
Discomfort index (inflation + unemp. rate, Jul. 2011)	15.3	14.8	13.0	13.9	10.5	10.5	8.8	7.7	7.4	9.0
Manufacturing industry output (% of real GDP)	4.7	9.4	9.1	11.6	16.3	15.2	11.2	6.9	8.0	8.4
Personal expenditures on goods & services (% of real GDP)	62.0	72.6	74.4	70.4	65.0	63.0	65.9	62.1	55.1	70.9
International exports (% of real GDP)	36.8	28.9	22.9	41.2	30.2	36.0	30.9	33.5	33.7	23.9

Tables

British Columbia

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	153,489	159,729	164,496	164,869	161,851	168,001	171,529	175,475
	% change	4.7	4.1	3.0	0.2	-1.8	3.8	2.1	2.3
Employment	thousands	2,092	2,147	2,223	2,266	2,218	2,257	2,280	2,328
	% change	2.9	2.6	3.5	2.0	-2.1	1.7	1.0	2.1
Unemployment rate	%	5.8	4.8	4.3	4.6	7.7	7.6	7.6	7.0
Retail sales	\$ millions	49,379	53,133	56,930	57,783	55,222	58,145	59,741	62,319
	% change	4.6	7.6	7.1	1.5	-4.4	5.3	2.7	4.3
Housing starts	units	34,667	36,443	39,195	34,321	16,077	26,479	26,500	27,800
	% change	5.3	5.1	7.6	-12.4	-53.2	64.7	0.1	4.9
Consumer price index	2002=100	106.3	108.1	110.0	112.3	112.3	113.8	116.3	118.4
	% change	2.0	1.7	1.7	2.1	0.0	1.4	2.2	1.8

Alberta

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	170,872	180,852	184,008	186,528	178,225	184,891	191,732	199,209
	% change	4.5	5.8	1.7	1.4	-4.5	3.7	3.7	3.9
Employment	thousands	1,826	1,916	1,991	2,054	2,025	2,017	2,086	2,142
	% change	2.7	5.0	3.9	3.1	-1.4	-0.4	3.4	2.7
Unemployment rate	%	4.0	3.4	3.5	3.6	6.6	6.5	5.6	5.4
Retail sales	\$ millions	48,486	55,972	61,487	61,614	56,478	59,856	63,569	67,202
	% change	11.9	15.4	9.9	0.2	-8.3	6.0	6.2	5.7
Housing starts	units	40,847	48,962	48,336	29,164	20,298	27,088	24,500	30,000
	% change	12.6	19.9	-1.3	-39.7	-30.4	33.5	-9.6	22.4
Consumer price index	2002=100	108.1	112.3	117.9	121.6	121.5	122.7	125.1	127.4
	% change	2.1	3.9	4.9	3.2	-0.1	1.0	2.0	1.8

Saskatchewan

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	38,904	38,266	39,626	41,434	39,810	41,601	43,390	45,169
	% change	3.1	-1.6	3.6	4.6	-3.9	4.5	4.3	4.1
Employment	thousands	484	492	504	513	519	524	529	542
	% change	0.3	1.8	2.4	1.7	1.3	0.9	1.0	2.4
Unemployment rate	%	5.1	4.7	4.2	4.1	4.8	5.2	5.0	4.8
Retail sales	\$ millions	10,795	11,554	13,129	14,673	14,598	15,050	16,068	16,820
	% change	5.4	7.0	13.6	11.8	-0.5	3.1	6.8	4.7
Housing starts	units	3,437	3,715	6,007	6,828	3,866	5,907	6,500	5,500
	% change	-9.1	8.1	61.7	13.7	-43.4	52.8	10.0	-15.4
Consumer price index	2002=100	106.9	109.1	112.2	115.9	117.1	118.7	121.7	124.9
	% change	2.2	2.0	2.9	3.2	1.1	1.3	2.5	2.6

Manitoba

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	38,860	40,181	41,263	42,057	42,077	43,003	44,207	45,754
	% change	2.6	3.4	2.7	1.9	0.0	2.2	2.8	3.5
Employment	thousands	582	589	599	608	608	620	627	637
	% change	0.5	1.2	1.7	1.7	0.0	1.9	1.2	1.6
Unemployment rate	%	4.7	4.3	4.4	4.2	5.2	5.4	5.4	5.2
Retail sales	\$ millions	12,372	12,874	14,016	14,980	14,915	15,752	16,477	17,337
	% change	5.9	4.1	8.9	6.9	-0.4	5.6	4.6	5.2
Housing starts	units	4,731	5,028	5,738	5,537	4,174	5,888	5,500	5,500
	% change	6.6	6.3	14.1	-3.5	-24.6	41.1	-6.6	0.0
Consumer price index	2002=100	106.6	108.7	110.9	113.4	114.1	115.0	118.3	120.8
	% change	2.7	1.9	2.1	2.2	0.6	0.8	2.8	2.1

Ontario

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	510,509	522,998	533,233	528,635	509,421	524,704	536,772	549,654
	% change	2.8	2.4	2.0	-0.9	-3.6	3.0	2.3	2.4
Employment	thousands	6,371	6,449	6,564	6,666	6,502	6,610	6,748	6,856
	% change	1.0	1.2	1.8	1.6	-2.5	1.7	2.1	1.6
Unemployment rate	%	6.6	6.3	6.4	6.5	9.0	8.7	7.8	7.6
Retail sales	\$ millions	135,128	140,591	145,965	151,672	147,920	155,889	161,789	168,174
	% change	4.8	4.0	3.8	3.9	-2.5	5.4	3.8	3.9
Housing starts	units	78,795	73,417	68,123	75,076	50,370	60,433	65,100	57,800
	% change	-7.4	-6.8	-7.2	10.2	-32.9	20.0	7.7	-11.2
Consumer price index	2002=100	106.9	108.8	110.8	113.3	113.7	116.5	120.0	122.5
	% change	2.2	1.8	1.8	2.3	0.4	2.4	3.0	2.1

Quebec

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	255,559	260,033	265,585	268,406	267,477	275,127	279,804	285,680
	% change	1.8	1.8	2.1	1.1	-0.3	2.9	1.7	2.1
Employment	thousands	3,701	3,743	3,834	3,880	3,848	3,915	3,976	4,028
	% change	0.8	1.1	2.4	1.2	-0.8	1.7	1.6	1.3
Unemployment rate	%	8.3	8.1	7.2	7.2	8.5	8.0	7.6	7.5
Retail sales	\$ millions	82,456	86,505	90,406	94,806	93,740	99,631	102,427	106,931
	% change	5.1	4.9	4.5	4.9	-1.1	6.3	2.8	4.4
Housing starts	units	50,910	47,877	48,553	47,901	43,403	51,363	48,100	44,300
	% change	-12.9	-6.0	1.4	-1.3	-9.4	18.3	-6.4	-7.9
Consumer price index	2002=100	106.9	108.7	110.4	112.7	113.4	114.8	118.0	120.3
	% change	2.3	1.7	1.6	2.1	0.6	1.3	2.7	2.0

Tables

New Brunswick

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	22,638	23,174	23,439	23,392	23,314	23,967	24,087	24,520
	% change	1.2	2.4	1.1	-0.2	-0.3	2.8	0.5	1.8
Employment	thousands	347	350	357	359	360	356	353	357
	% change	-0.5	1.0	1.9	0.6	0.1	-1.0	-1.0	1.2
Unemployment rate	%	9.6	8.7	7.5	8.5	8.8	9.3	9.7	9.3
Retail sales	\$ millions	8,344	8,858	9,407	10,018	10,093	10,592	11,058	11,429
	% change	4.7	6.2	6.2	6.5	0.7	4.9	4.4	3.4
Housing starts	units	3,959	4,085	4,242	4,274	3,521	4,101	3,200	3,200
	% change	0.3	3.2	3.8	0.8	-17.6	16.5	-22.0	0.0
Consumer price index	2002=100	107.4	109.2	111.3	113.2	113.5	115.9	119.5	122.1
	% change	2.4	1.7	1.9	1.7	0.3	2.1	3.1	2.2

Nova Scotia

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	28,016	28,174	28,611	28,969	28,931	29,481	29,864	30,342
	% change	1.1	0.6	1.6	1.3	-0.1	1.9	1.3	1.6
Employment	thousands	442	441	448	452	451	452	454	460
	% change	0.1	-0.1	1.6	0.9	-0.1	0.2	0.4	1.3
Unemployment rate	%	8.4	7.9	7.9	7.7	9.2	9.3	9.2	9.1
Retail sales	\$ millions	10,527	11,141	11,616	12,089	12,102	12,656	12,974	13,445
	% change	2.2	5.8	4.3	4.1	0.1	4.6	2.5	3.6
Housing starts	units	4,775	4,896	4,750	3,982	3,438	4,309	4,400	3,600
	% change	1.2	2.5	-3.0	-16.2	-13.7	25.3	2.1	-18.2
Consumer price index	2002=100	108.2	110.4	112.5	115.9	115.7	118.2	122.3	125.0
	% change	2.8	2.1	1.9	3.0	-0.1	2.2	3.4	2.2

Prince Edward Island

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	3,921	4,077	4,149	4,167	4,164	4,251	4,345	4,428
	% change	1.1	4.0	1.8	0.4	-0.1	2.1	2.2	1.9
Employment	thousands	68	68	69	70	69	71	71	72
	% change	2.0	0.6	0.7	1.2	-1.4	3.0	1.1	1.3
Unemployment rate	%	10.9	11.0	10.3	10.7	12.0	11.1	11.5	10.9
Retail sales	\$ millions	1,424	1,509	1,621	1,703	1,681	1,769	1,845	1,914
	% change	2.7	6.0	7.4	5.1	-1.3	5.2	4.3	3.8
Housing starts	units	862	738	750	712	877	756	800	800
	% change	-6.2	-14.4	1.6	-5.1	23.2	-13.8	5.8	0.0
Consumer price index	2002=100	109.1	111.6	113.6	117.5	117.3	119.5	122.7	125.6
	% change	3.2	2.2	1.8	3.4	-0.1	1.8	2.7	2.3

Newfoundland & Labrador

		2005	2006	2007	2008	2009	2010	2011F	2012F
Real GDP	\$2002 millions	17,593	18,129	19,791	20,186	18,119	19,170	19,860	20,059
	% change	2.2	3.0	9.2	2.0	-10.2	5.8	3.6	1.0
Employment	thousands	213	215	216	219	212	219	228	232
	% change	-0.3	0.8	0.8	1.1	-3.0	3.4	3.8	1.9
Unemployment rate	%	15.1	14.7	13.5	13.2	15.5	14.4	12.0	11.2
Retail sales	\$ millions	5,824	6,012	6,528	7,009	7,120	7,449	7,794	8,071
	% change	1.1	3.2	8.6	7.4	1.6	4.6	4.6	3.6
Housing starts	units	2,498	2,234	2,649	3,261	3,057	3,606	3,600	3,300
	% change	-13.0	-10.6	18.6	23.1	-6.3	18.0	-0.2	-8.3
Consumer price index	2002=100	107.6	109.5	111.1	114.3	114.6	117.4	120.8	123.5
	% change	2.6	1.8	1.4	2.9	0.3	2.4	2.9	2.2

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