



PRESS RELEASE



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Canada's economy shifts into recovery mode: RBC Economics

Increased domestic spending and improved credit markets expected to fuel economic growth in 2010 and 2011

TORONTO, Ontario, March 11, 2010 — With a peak in stimulus investment, improved credit markets and a recovery in consumer spending, Canada's economy is poised for real GDP growth of 3.1 per cent, according to a new report by RBC Economics.

“An economic recovery is solidly taking root in Canada with the full impact of stimulus spending, historically low interest rates and improved credit markets all taking effect this year,” said Craig Wright, senior vice-president and chief economist, RBC. “Going forward, additional growth should be sustained by strength in the housing market and investment by the private sector, as corporations increase payrolls and investment.”

The report indicates that Canada's economy is expected to grow at a more moderate pace, after a five per cent surge in the final quarter of 2009. Stability in the auto sector and rising commodity prices should continue to support a gradual improvement in the labour market, as unemployment rates are expected to average 8.4 per cent in 2010 before falling to 7.7 per cent in 2011.

According to the report, consumer spending is expected to continue to expand next year by 2.8 per cent, matching 2010's pace with business investment set to rise by more than seven per cent. This should result in Canada's GDP expanding by an even greater 3.9 per cent in 2011.

Recent indicators for the housing market have suggested a strong recovery in activity, with housing starts expected to grow to 184,000 in 2010, representing a significant increase over 2009 (149,000).

“The housing market should remain strong as improved labour conditions and low mortgage rates fuel demand,” added Wright. “We expect the market to slow by the second half of the year as interest rates begin to rise and affordability declines.”

With recent U.S. data showing a clear improving trend, RBC expects U.S. GDP to increase by 2.9 per cent in 2010 and 3.4 per cent in 2011. The report notes that U.S. domestic demand is increasing, along with rising consumer spending and improvements in residential construction and exports.

Among Canadian provinces, economic growth in 2010 will be boosted by gains in Newfoundland and Labrador (4.1 per cent), Saskatchewan (3.6 per cent), B.C. (3.4 per cent) and Ontario (3.3 per cent). Growth in Alberta will rise only 2.5 per cent this year but strengthen to 4.4 per cent in 2011, the second highest rate of growth behind Saskatchewan (at 4.6 per cent).

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A complete copy of the forecast is available as of 8 a.m. EST, at www.rbc.com/economics/market/pdf/fcst.pdf. A separate publication, RBC Economics Provincial Outlook, assesses the provinces according to economic growth, employment growth, unemployment rates, retail sales and housing starts.