



PRESS RELEASE



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Canada's economic growth expected to continue in 2010: RBC Economics

Pace of growth revised downward due to U.S. economy

TORONTO, Ontario, September 10, 2010 — TORONTO, September 10, 2010 — After rapid gains in the early part of the year, Canada's economy slowed in the second quarter and is expected to rebound only modestly over the second half of the year, according to the latest Economic Outlook report from RBC Economics.

RBC slightly pared back its 2010 forecast, expecting GDP growth of 3.3 per cent which is down from 3.6 per cent projected last quarter.

"While Canada's second quarter growth put real GDP close to its pre-recession high, concerns in the U.S. and nervousness about the health of the global economy are weighing on the outlook for the second half of the year," said Craig Wright, senior vice-president and chief economist, RBC.

RBC forecasts that the economy will continue to grow and that the output gap will be completely eliminated by mid-2012. The labour market has recovered 94 per cent of the jobs lost during the recession and the unemployment rate is expected to decline to 7.3 per cent by the end of 2011, from the 8 per cent that prevailed the second quarter of this year.

With government infrastructure spending to be exhausted in the first quarter of 2011, there will be pressure on the private sector to fill the void and sustain economic growth.

GDP is expected to rise 3.2 per cent in 2011, down 0.3 percentage points from projections in last quarter's Outlook. RBC notes that core inflation has been stable through the economic downturn and expects it to remain anchored around the Bank of Canada's 2 per cent mid-range target.

"Global financial conditions have not been severely damaged by the European sovereign debt crisis as previously feared," said Wright. "With central banks pledging to do whatever is necessary to keep the recovery on track, interest rates will remain low, supporting business and consumer spending once confidence is restored."

RBC adjusted its U.S. GDP forecast to 2.7 per cent in 2010 and 3.0 per cent in 2011, compared to 3.1 per cent and 3.4 per cent the previous quarter, in light of the sharp weakening in real GDP in the second quarter and disappointing reports on the housing and labour markets over recent months.

According to the report, the Canadian dollar has been hurt by concern about the U.S. and global recovery continuing, with an attendant downward impact on commodity prices, and will likely remain under pressure until the risk of another downturn in the global economy dissipates. RBC forecasts that the Canadian dollar will close out 2010 at 93.45 U.S. cents and will again trend upward toward parity by mid-2011.

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At the provincial level, RBC expects all provincial economies to grow in 2010; however, the downshift in economic momentum prompted growth forecasts for most provinces to be revised lower in 2010 with the exception of Saskatchewan (increased to 6.3 per cent from 3.8 per cent) and Alberta (up 3.5 per cent from 3.1 per cent). The largest downward revisions were made to Manitoba (down 0.9 per cent to 2.0 per cent) and Newfoundland & Labrador (from 4.1 per cent to 3.3 per cent). All other adjustments were fairly modest from June and are as follows:

- **BC:** growth of 3.3 per cent, revised lower from 3.5 per cent
- **ON:** growth of 3.5 per cent, revised lower from 3.8 per cent
- **PQ:** growth of 3.0 per cent, revised lower from 3.5 per cent
- **NB:** growth of 2.3 per cent, revised lower from 2.4 per cent
- **NS:** growth of 1.8 per cent revised lower from 2.2 per cent
- **PEI:** growth of 2.1 per cent, revised lower from 2.6 per cent

A complete copy of the forecast is available as of 8 a.m. EDT, 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.