

ALBERTA AMONG CANADA'S GROWTH LEADERS, BUT MODERATION LIES AHEAD: RBC ECONOMICS

TORONTO, March 30, 2007 — While Alberta's economy is coming off the high growth levels of 2006, the province remains among the country's growth leaders with expected growth of 3.6 per cent in 2007 and 3.2 per cent in 2008, according to a provincial economic outlook released today by RBC.

"Alberta likely witnessed the peak in its growth rates during 2006 with softer growth expected for 2007 and 2008," said Craig Wright, vice-president and chief economist, RBC. "However, the province's growth will remain above the national average and still ranks number one in the country on most economic indicators. Unfortunately Alberta also has the most rapid rate of increases in consumer prices anywhere in the country."

According to the report, rapid cost and price escalations are likely to moderate growth rates in consumer spending and housing market activity, retreating from last year's frenzied and unsustainable growth pace.

RBC notes that a phasing out of an accelerated rate of depreciation on oil sands projects will have no economic impact in the near-term, and by the time it is fully withdrawn in 2015, most of the estimated \$100 billion in capital projects will have been spent.

"Looking ahead, energy prices and ballooning project costs remain growing concerns for the province," added Wright. "Oil prices are still highly stimulative and profit margins on the highest risk projects are somewhat less attractive for investors."

While RBC expects drilling activity to slow down, profit growth should remain strong but moderate, and government royalties are well past their peak.

For the overall Canadian economy, RBC forecasts that the gap between growth in the more heavily resource based provinces and central Canada will narrow over 2007-08. Newfoundland and Labrador will be the leader this year with growth of four per cent. Prince Edward Island and Ontario will be at the back of the pack, each with growth rates of about two per cent.

The RBC Economics *Provincial Outlook* assesses the provinces according to economic growth, employment growth, unemployment rates, personal income growth, retail sales, housing starts and the Consumer Price Index.

According to the report (available online as of 8 a.m. E.D.T., at www.rbc.com/economics/market/pdf/provfcst.pdf), provincial forecast details are as follows:

| | Real GDP | | | Housing starts | | | Retail sales | | | Employment | | | CPI | | |
|--------|-----------|-----|-----|----------------|------|------|--------------|-----|-----|------------|-----|-----|-----|-----|-----|
| | 06 | 07 | 08 | 06 | 07 | 08 | 06 | 07 | 08 | 06 | 07 | 08 | 06 | 07 | 08 |
| | Thousands | | | | | | | | | | | | | | |
| NFLD. | 3.5 | 4.0 | 1.5 | 2.2 | 2.1 | 2.0 | 2.9 | 2.0 | 2.0 | 0.7 | 0.5 | 0.1 | 1.8 | 1.2 | 1.4 |
| P.E.I. | 1.9 | 1.9 | 1.7 | 0.7 | 0.7 | 0.7 | 4.0 | 2.1 | 2.1 | 0.6 | 0.6 | 0.4 | 2.2 | 1.0 | 1.3 |
| N.S. | 2.4 | 2.4 | 2.3 | 4.9 | 4.5 | 4.4 | 6.3 | 3.5 | 3.0 | -0.3 | 0.8 | 0.3 | 2.1 | 1.3 | 1.3 |
| N.B. | 2.5 | 2.4 | 2.6 | 4.1 | 3.8 | 3.9 | 5.5 | 3.2 | 3.2 | 1.4 | 1.2 | 0.4 | 1.6 | 1.1 | 1.4 |
| QUE. | 2.0 | 2.1 | 2.7 | 47.9 | 42.1 | 43.0 | 4.6 | 4.1 | 4.0 | 1.3 | 1.2 | 0.9 | 1.7 | 0.8 | 2.2 |
| ONT. | 1.3 | 2.0 | 3.1 | 73.4 | 66.8 | 67.7 | 4.0 | 4.2 | 5.8 | 1.5 | 1.4 | 1.2 | 1.8 | 1.0 | 2.4 |
| MAN. | 3.4 | 2.7 | 2.9 | 5.0 | 4.5 | 4.3 | 5.8 | 4.2 | 4.1 | 1.2 | 0.8 | 0.6 | 1.9 | 0.9 | 1.8 |
| SASK. | 3.6 | 2.8 | 2.9 | 3.7 | 3.4 | 3.3 | 5.9 | 5.0 | 4.5 | 1.7 | 2.1 | 0.8 | 2.0 | 1.2 | 2.0 |
| ALTA. | 6.5 | 3.6 | 3.2 | 49.0 | 44.0 | 41.4 | 16.0 | 9.3 | 8.0 | 4.8 | 3.8 | 1.6 | 3.9 | 3.0 | 2.6 |
| B.C. | 4.7 | 3.4 | 3.4 | 36.4 | 33.9 | 33.8 | 6.2 | 6.6 | 6.3 | 3.1 | 3.0 | 2.0 | 1.8 | 1.9 | 2.8 |
| CANADA | 2.7 | 2.5 | 3.0 | 229 | 207 | 206 | 6.2 | 5.2 | 5.2 | 2.0 | 1.8 | 1.2 | 2.0 | 1.7 | 2.4 |

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