

## **RBC predicts rapid economic growth after record first quarter**

Canada's economy is expected to surge in 2010, according to a new report from RBC Economics, which predicts gross domestic product growth of 3.6 per cent as a result of strong demand and increased job creation.

RBC says Canada's real GDP grew at 6.1 per cent in the first quarter, the fastest pace in a decade.

"Canada's economy continued to surge ahead as domestic demand was backed by increases in consumer, housing and government spending," said Craig Wright, senior vice-president and chief economist at RBC.

"Looking ahead, positive signs in the job market indicate that the recovery will continue in the near term, as private investment increases following a sharp decline during the recession and core inflation remains on target."

According to RBC, as businesses rebuild inventory, the economy should continue to show a gradual improvement. It predicts continued growth in 2011 of about 3.5 per cent.

"Stronger-than-expected economic data and higher inflation have reduced the need for emergency low interest rates, although uncertainty arising from the European debt crisis adds an element of caution to further rate increases," Wright said.

The bank said in its release that recent disruptions in the European economy, associated with debt, did not deter the world's recovery from remaining on track. European growth, however, is expected to be much lower, with the Eurozone GDP increases forecasted to be about 0.8 per cent in 2010 and increase to about 1.7 per cent in 2011.

News is also good for the Canadian loonie.

RBC predicts that recent fluctuations in the currency, caused by the shifting European landscape, will ease over the summer and fall. It predicts the loonie will be close to parity with U.S. dollar later in the year. However, RBC predicts the loonie could gradually lower in 2011.

Growth will be strongest this year in Newfoundland and Labrador, the bank says, with growth predicted at 4.1 per cent for the province. That will be followed by Saskatchewan with growth in the 3.8 per cent range.

B.C. and Ontario are expected to grow about 3.5 per cent and Alberta will rise 3.1 per cent this year.

RBC suggests Saskatchewan will lead the country in 2011 with a growth rate of 4.4 per cent, followed by Alberta at 4.2 per cent.