**Strong U.S. economy, falling Canadian dollar will help to soothe impact of low oil prices on Canada's economy: TD Economics**

TORONTO – The recent slide in crude oil prices is likely to take a relatively moderate bite out of Canadian economic growth prospects over the next few years, but the national story conceals substantial downgrades to the outlook for the major oil-producing provinces of Alberta, Saskatchewan and Newfoundland & Labrador.

"Much has changed since our September forecast," notes TD Chief Economist Craig Alexander. "Global oil markets have shifted dramatically, raising important questions about what this means for Canada's economy in the short and medium term given our position as a leading producer and exporter of oil."

Canadian real GDP growth is now projected at a still-respectable 2.3% in 2015. For 2016, TD Economics expects growth to slow to a more moderate 2.2%.

Sliding commodity prices are expected to have the most adverse effect on corporate profits in 2015 with a notable spill-over into business investment. TD Economics notes, however, that several mitigating factors will help offset a more profound negative impact on Canadian growth, including solid momentum south of the border and a weaker Loonie.

However, there is some good news for consumers. The price of crude oil plunging to its lowest level in more than four years means relief at the pumps will translate into relief to pocketbooks, generating a savings of around $300 for the average Canadian household in the coming year.

The drop in oil prices is expected to factor into lower inflation in Canada. With this in mind, TD Economics has tempered its expectation for the timing of an increase on the Bank of Canada's policy interest rate from its current 1.00% level, delaying the expected rate hike to the final quarter of 2016.

In addition, a likely further drop in the Canadian dollar to around 83-84 U.S. cents, coupled with the continued resilience of the U.S. economy, should provide support to the Canadian export and tourism sectors.

Despite a fairly favourable national economic outlook, TD Economics expects low oil prices to have different effects on the Canadian economy and in various geographic regions of the country.

In its Provincial Economic Forecast, also released today, TD Economics has slashed its real GDP growth forecasts for the oil-rich economies of Alberta, Newfoundland and Labrador and Saskatchewan. Alberta is expected to record real GDP gains of 2.3% on average in 2015-16 – a sharp fall from its recent trend rate of more than 4% and knocking it out of the first-place position that it has regularly occupied.

Instead, Ontario is expected to vault into first place in terms of economic growth with real GDP growth of 2.5% per year, followed closely by British Columbia. "It's been 15 years since we've seen Ontario lead the provincial pack," adds Alexander.
Elsewhere, the provincial real GDP growth performances are expected to be quite tightly packed at around 2% annually. One notable exception is Newfoundland & Labrador, where weakness in the all-important crude oil industry will put a significant damper on its economic performance in 2015 and 2016.