TD Bank Financial Group

TD Economics

Industrial Outlook

February 25, 2008

CANADIAN INDUSTRIAL OUTLOOK 2008-09

Services and construction should hold up the economy

After a solid five year run during which Canadian output growth[1] averaged almost 3% per year, the average pace of expansion among industries is projected to slow to 1.8% in 2008. This would mark the weakest turn-out since a 0.6% gain was registered in 2001.

Just as a mild U.S. recession crimped growth back in 2001, it is the dramatic weakening in the U.S. economy that will put a major damper on Canadian output in the year ahead. Most exposed among the nation's industries is undeniably the export-oriented manufacturing sector, which is also facing the ongoing challenge of adjusting to the high Canadian dollar and elevated energy prices.

This year, look for all key manufacturing industries to scale back production with the sole exception of aerospace. But, while weaker manufacturing activity will have some knock-on effects to other industries, growth prospects for other sectors remain quite bright, supported by ongoing healthy domestic consumer and business spending. Employment grew by a whopping 2.5% in 2007, and the wages of permanent employees climbed by 4.4%, the highest on record. CPI inflation averaged 2.6%, implying a solid real wage growth of 1.8%. This increase in purchasing power suggests healthy gains in consumer-driven activities for this year, even as employment growth slows considerably – our forecast calls for a modest 0.7% growth in employment.

In stark contrast to the severe woes in the U.S. homebuilding sector, Canada's construction sector is likely to emerge as the growth leader in 2008, and along with expansion in most primary industries, should mitigate the overall decline in activity from goods-producing industries. Furthermore, the overall fiscally sound positions of the federal and provincial governments provide another offset supporting the Canadian economy.

Still, it is the service sector which will remain the backbone of Canadian economic activity over the near term. The current economic cycle will drive a larger wedge in

HIGHLIGHTS

- **Canadian manufacturing output expected to contract significantly this year before a modest rebound in 2009**
- **Aerospace to be the lone out-performing manufacturing industry this year**
- **Construction, along with most primary industries, should limit the decline in goods-producing industries output for 2008**
- **Non-residential construction & engineering projects expected to top the economy's growth podium throughout 2008-09**
- **Service sector growth should help prevent a Canadian recession**
- **Wholesale and retail trade expected to maintain their top performing status among service industries**
- **Detailed forecasts provided on pages 8-9.**

[1] **NOTE**: Throughout this report, we measure GDP or total output using real GDP by industry (at basic prices in chained 2002 C$). Estimates are provided on a monthly basis by Statistics Canada. Unless otherwise noted, we measure yearly performance of economic variables using the Q4/Q4 percent change.

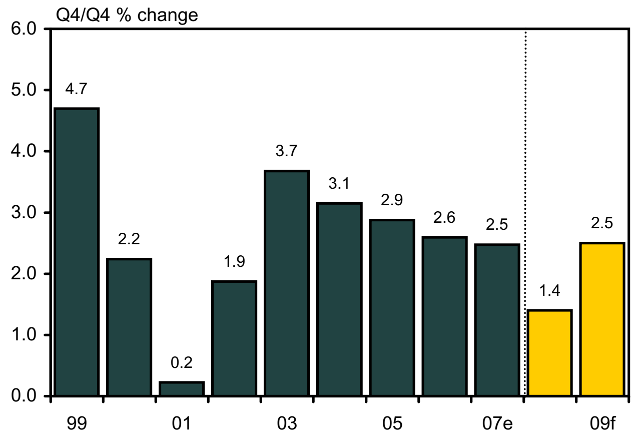
performance, of about 3 percentage points, between goods and services industries this year. Among the services, wholesale trade, administrative services, and retail trade are expected to turn in well above-average performances.

In 2009, we expect the goods/services growth gap to narrow, driven by a firming in U.S. economic growth, a modest cyclical rebound in manufacturing output and the lagged benefit of this year's interest rate cuts by the Bank of Canada. Overall, we expect output growth to return just above its longer-term cruising speed.

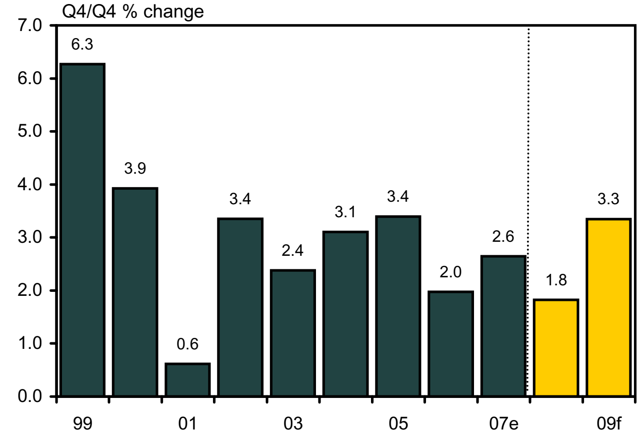
The view from above – Slippery road ahead

In 2007, a number of important shocks have hit our economy, the effects of which will continue to be felt throughout this year. Credit market turmoil, a slowing U.S. economy, and a strong Canadian currency are conspiring to destabilize the steady pace of growth experienced over the last five years. Most of these forces stem from developments outside Canada's borders, and such is the fate of a small open economy.

This year will in large part be the story of how the economy adapts to these challenging circumstances. A significant slowdown in U.S. consumer spending poses the greatest risk of all. We will also get some clarity on the oft-talked about notion of 'decoupling' between the U.S. economy and the rest of the world. Beyond financial markets, which are much more highly integrated worldwide than goods markets, it should become apparent in the months ahead the extent to which exports from emerging markets are tied to U.S. consumer spending. Our analysis (see "*Global economic decoupling: Is the cookie jar still out of reach?*" on our website) suggests that while



Forecast by TD Economics as at February 2008.
*Expenditure based. Source: Bureau of Economic Analysis / Haver Analytics.



Forecast by TD Economics as at February 2008.
Source: Statistics Canada / Haver Analytics.

the global economy is not facing a dismal year, the U.S. consumer-led slowdown will be felt beyond the major industrialized countries. In line with this slower global growth profile, we expect the commodity rally to flatten. All told, like most economies, and largely as a result of the U.S. slowdown, growth will slow in Canada, although a recession will most likely be averted. Our current macroeconomic outlook includes the following backdrop over the forecast horizon:

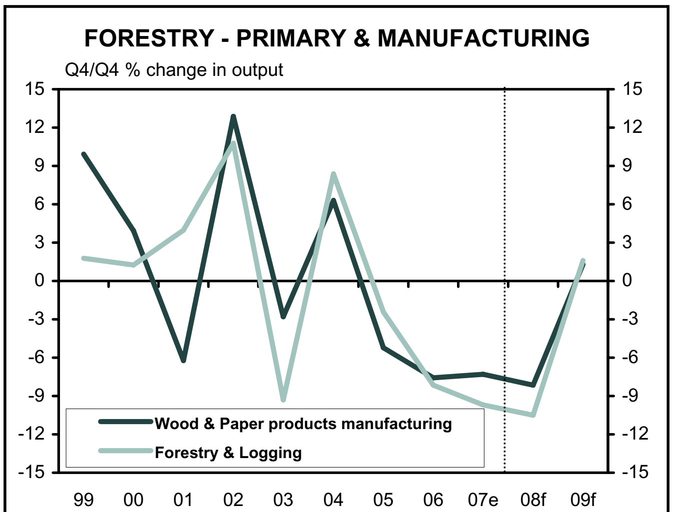
- Weak U.S. real GDP growth in 2008 (1.4%), followed by a modest pickup in 2009 (2.5%);
- Some softening in crude oil prices, but still elevated levels, averaging close to US$90/bbl in 2008 and US$93/bbl in 2009;
- A Canadian dollar remaining close to parity, with a slight downward trend towards 95 U.S. cents for year-end 2008 and 90 U.S. cents for year-end 2009;
- Core inflation should remain well below the Bank of Canada's 2% target rate this year, enabling it to ease its overnight interest rate to 3 ¼ % by the end of April 2008, and hold it steady thereafter.

Ground level analysis – Tallying up expectations

The industrial heartland of the country, which had already been dealing with intense competitive pressure from newly developed and emerging market economies, is facing a perfect storm. Overall, it is fair to say that many of Canada's industries are confronting their biggest test in more that half a decade. But drilling down from that bird's eye view, which sectors can be expected to be hit the hardest by these prevailing headwinds, and which sectors should hold up better in this overall sub-par growth environment?

It stands to reason that the forces mentioned above will trigger deeper adjustments in those industries most directly exposed to them. It is little secret that, as a whole, the sector to experience the most pain from these headwinds is **manufacturing**. About half of Canadian manufacturing output is exported, the bulk of which is destined for the U.S. Moreover, few sectors are more energy-intensive or more exposed to competition from China. All told, we expect manufacturing activity to contract by a sobering 3.5% this year. From these depressed levels of activity, most manufacturing sectors can expect modest growth in 2009, with manufacturing as a whole expected to expand by 2.4%. Still, the degree of vulnerability across manufacturing industries ranges widely. The rule of thumb is that sectors with a combination of the highest export orientation and the lowest share of imported inputs (especially to and from the U.S.) will be hardest hit by a high Canadian dollar and a U.S. downturn.

Along those lines, the most bearish outlook over the forecast horizon is that of **wood & paper products manufacturing**, and its upstream primary activities of **forestry & logging**. Typically, housing starts are a coincident indicator of economic activity. This time around, the U.S. slowdown has actually been led by the sharpest housing correction on record, ongoing since 2006. U.S. housing starts are unlikely to recover before next year. Newsprint demand is also weakening as readership and advertising dollars move to online media away from print – a trend



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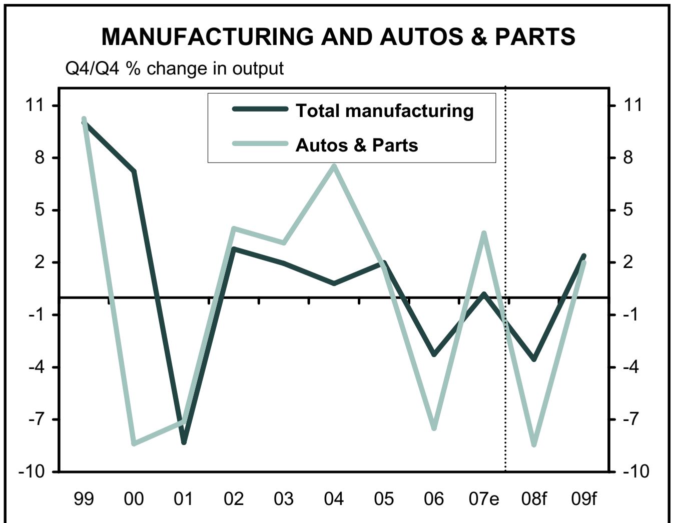


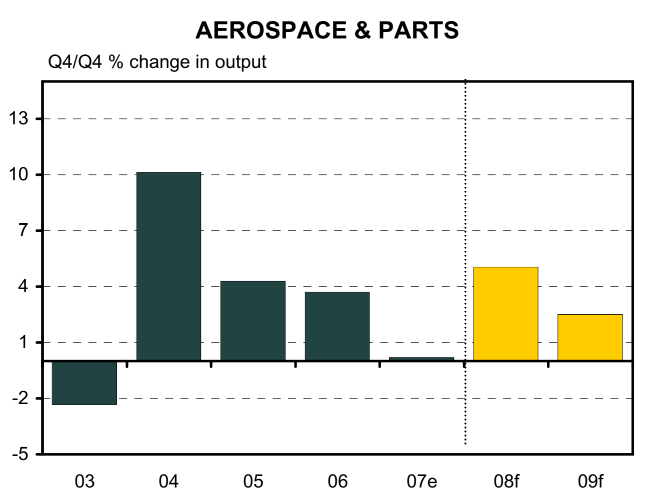
Source: Statistics Canada, e, f: Estimate and Forecast by TD Economics

that is unlikely to abate anytime soon. Pulp producers should do better with continued strong demand in paper and paperboard out of Asia. All things considered, we expect forestry & logging activity to contract by about 10% this year, with a similar reduction in the real output of wood & paper products manufacturing (-8%).

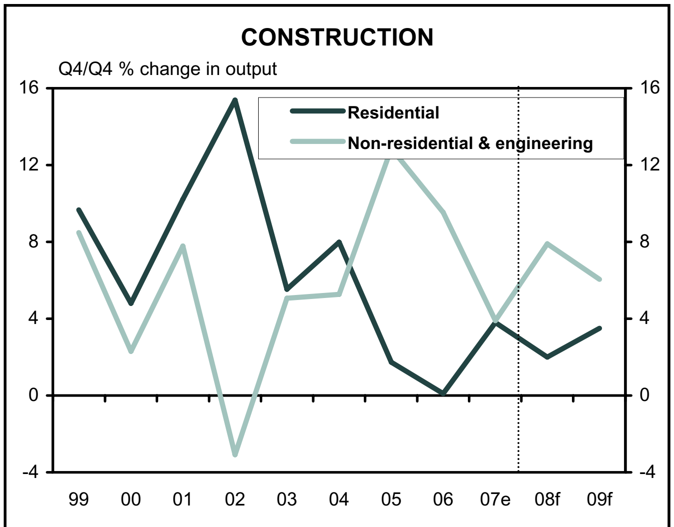
2008 is also shaping up to be a particularly difficult for **autos & parts**. Moves by governments to assist manufacturers will provide some offsetting support. But, government aid can only go so far in negating the significant winds of change on a global scale. The bulk of Canadian assembly & parts output depends on U.S. demand, and the news on that front are not encouraging, at least in the near term. As a result of weaker disposable income growth in the U.S., combined with a souring consumer confidence and a more difficult financing environment, North American auto sales are expected to contract to decade lows. Furthermore, the Big Three U.S.-based automakers are expected to continue losing market share to Asian-based automakers, even if the latter are not immune to a slowdown in U.S. demand. Canadian production of light vehicles could contract by as much as 8% this year, although a bounce back is expected next year. For further details, see "*Automakers brace for a difficult year*" on our website, which provides an in-dept look at what to expect for that sector in 2008-09. Tied into the auto & parts production chain, **plastics & rubber** products manufacturing also faces significant downstream pressures, and is expected to have to reduce its output by close to 5% this year before market conditions improve next year.

The sole outperforming industry and bright spot within manufacturing in 2008 is likely to be the **aerospace & parts** industry, which is in full flight. The rebound in this industry is related to a firming up of demand for regional jets and major export orders from the U.S. and the United Arab Emirates, helping to move this industry into first place of Québec provincial exports in October 2007, ahead of aluminum. Parts suppliers are also benefiting from defence-related spending and a replacement of aging fleets with more fuel-efficient engines. Fulfillment of currently booked orders provides a good growth momentum for this year and next, which should average close to 4% per year, with room for potential upside.

Complicating matters in manufacturing industries is our expectation that other domestic sectors are likely to slow, for reasons of their own. Strength in **construction**, for one, has helped to mask adjustment to weaker exports. We believe **residential** activity will slow as past erosions in affordability crimp demand. Residential housing starts in Canada were very strong in 2007, marking a sixth consecutive year where starts topped 200,000 units. Eroding affordability and homebuilding cost pressures are expected to dampen demand which had proved to be remarkably resilient in 2007. We should also see a rebalancing of activity on a regional basis. Alberta's homebuilding activity has slowed considerably since peaking in September 2007. On a national basis, we expect total housing starts to slow to around 210,000 units in 2008, falling back from the decade high levels of close to 230,000 seen in the last two years. All told, residential construction is expected to grow by 2% this year, in part because of weakness in Q4 of 2007. While growth in residential construction may seem at odds with a decline in housing starts, note that we are measuring housing starts on an annual basis while our output compares activity level in the fourth quarter from a year prior. On a comparable annual basis, residential construction will be almost flat, growing by a mere 1%. Continued growth in renovations & repairs should help prevent overall residential 'construction' from dipping into the red.



Source: Statistics Canada, e, f: Estimate and Forecast by TD Economics.



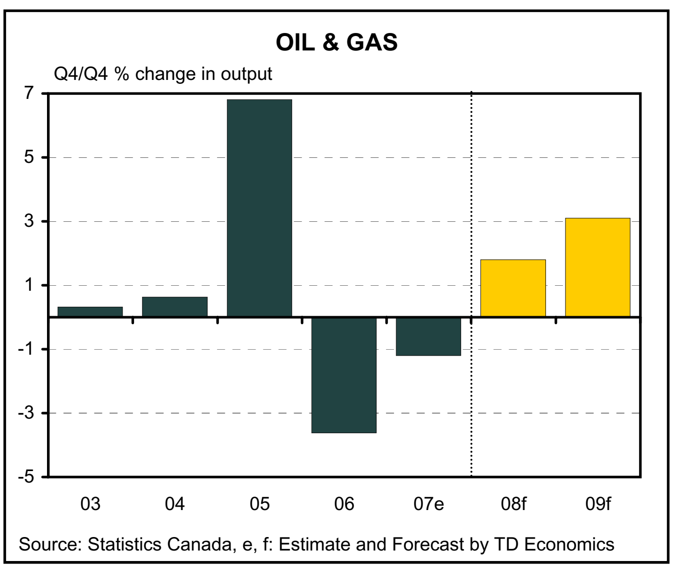
Source: Statistics Canada, e, f: Estimate and Forecast by TD Economics

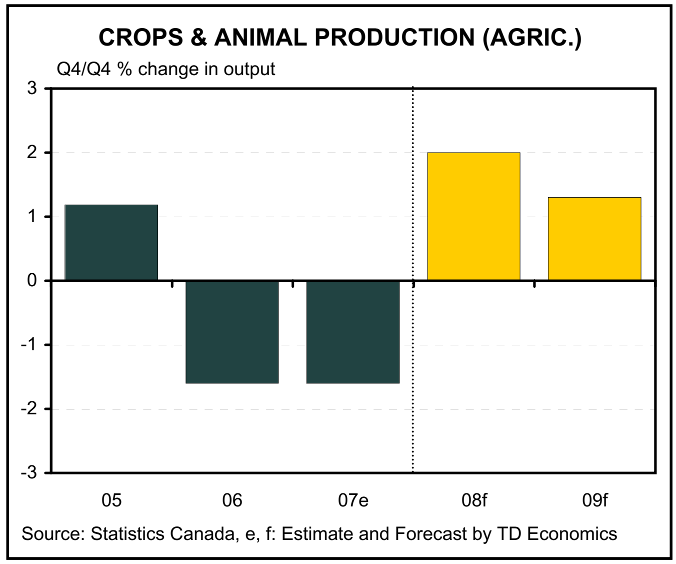
After three consecutive years of over 10% price growth, we also expect a moderation in the pace of resale home appreciation, easing to 6% this year and 5% next year. This will reflect a healthy rebalancing of some major metro area markets experiencing higher listings and slower sales growth. Lower interest rates should eventually make their way to lower mortgage rates, helping affordability along the way while sustaining continued growth in Canadian housing markets.

On the flip side, the outlook for the **non-residential** market and engineering projects is glowing, despite a slowing economy. Within this component, the key driver is expected to be infrastructure and institutional building while commercial and industrial building should be a mixed bag where western economies, in particular but not solely, should help pull the national level of activity forward. Capacity expansion to support non-conventional oil extraction in the oil patch and uranium and potash extraction in Saskatchewan will continue. Major energy and petrochemical capital projects will boost growth in the Atlantic region. In B.C., projects related to the 2010 Olympics, port expansions, and Pacific Gateway infrastructure will push forward. In sum, this sector of economic activity, helped by significant public expenditures aimed at maintaining and expanding our infrastructure, is *expected to be the top performer over the next two years*, with back-to-back growth rates of 8% and 6% respectively.

Moving to natural resource industries, **natural gas** drilling activity was depressed in 2007 after peaking in early 2006. Except for a couple of weather-related spikes, natural gas prices have stayed in the US$6-$8 range over the last three years. Rising costs have squeezed profitability margins for new gas wells, and some investment was diverted to oil sands developments. Drilling budgets are unlikely to see much upside in the near term, but the National Energy Board does note that a few additional wells could end up being drilled as underutilized drillers slash their rates. TD Economics forecasts natural gas prices on a slight upward path, ending the year towards the $US9.25/mmbtu mark. After hovering around 10% above the long-term (5-year) average U.S. inventory level for more than a year, U.S. inventories have recently fallen back closer to average levels, thus providing potential upside to activity in the second half of 2008.

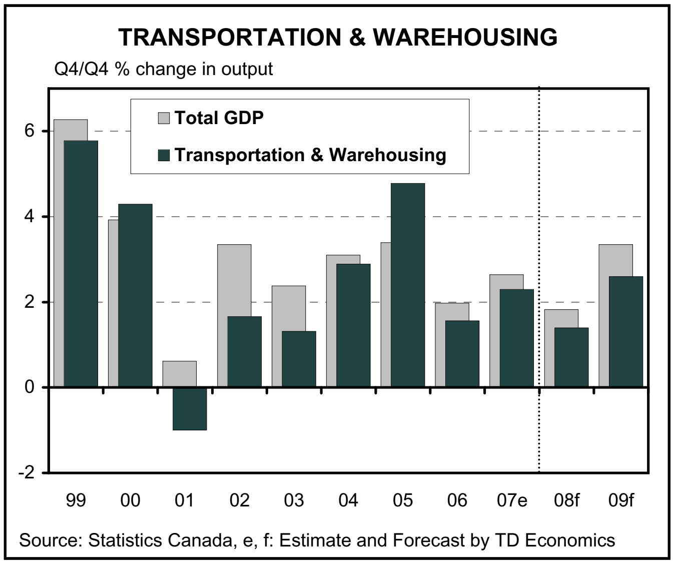
Meanwhile, **oil extraction** should continue to plough forward. Total Canadian oil production (in barrels per day) has been expanding by about 4% per year over the last six years. The pace has accelerated since 2006, and we forecast an average increase of 6% per year over 2008-09, with new production being partly offset by declining productivity from maturing deposits. Surging oil prices have helped the industry offset Canadian dollar strength. Combined **oil & gas extraction** (including supporting activities) should see 2% growth this year followed by an uptick to 3% next year.





After a robust production run that ran from Q3 of 2006 to Q3 of 2007, during which **non-energy mining** activity is estimated to have grown by 10%, 2008 will likely experience modest growth on the down part of the cycle. The slowdown in U.S. and global growth should play an important role in weakening demand for most metal ores and industrial metals in the near term. The price outlook for base metals complex is a mixed bag (see our "*Quarterly Commodity Price Report*" for details.) Copper, aluminium, and zinc are likely to retreat the most this year, while nickel still has some upward momentum left for the first half of the year. In all, non-energy mining activity is poised to grow at 1.7%, almost bang-on par with overall output growth this year.

After a pullback last year, **agriculture** is headed for a solid year in 2008. Indeed, as stated in our recent report "*Canadian agriculture begins a new era*": "A number of trends bode well for Canada's agriculture sector. Growing demand in China, India, and other emerging markets is likely to keep overall global demand / consumption of key agricultural commodities running at a brisk pace over the next 5-10 years, fuelled by rising populations and incomes. In some cases – such as wheat and course grains – consumption is projected to exceed global production". We expect crop and animal production to expand by 2% this year, matching the performance of the economy as a whole. Costs challenges remain front and center in this industry. Rising feed costs for livestock producers, higher fertilizer and energy input costs, a high Canadian dollar, and labour shortages, especially in regions where it is competing with construction and oil & gas.

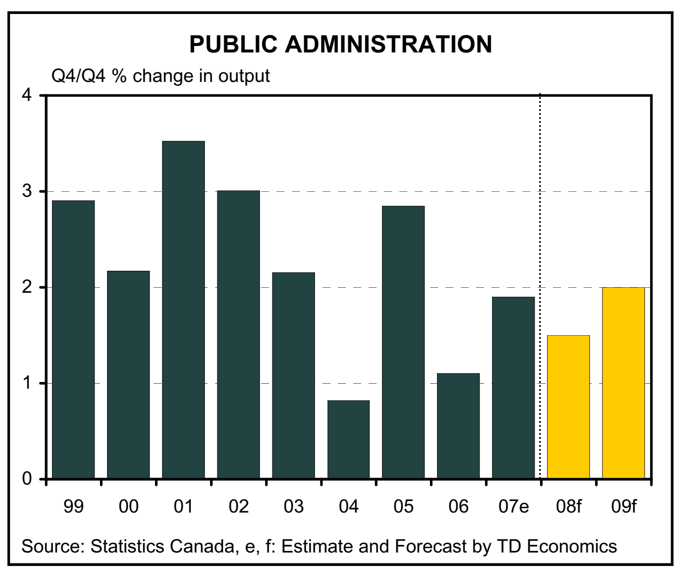


All told for 2008, a modest expansion of activity in primary industries (+0.7%) and a solid showing in construction (+6.1%) should partially offset the drag from manufacturing (-3.5%) to limit the contraction in the goods sector to a manageable -0.4%. Growth in 2009 is expected to be much more balanced across sectors, as manufacturing experiences a pickup in activity (+2.4%), while the primary sector (+2.3%) and construction (+5.3%) record further gains.

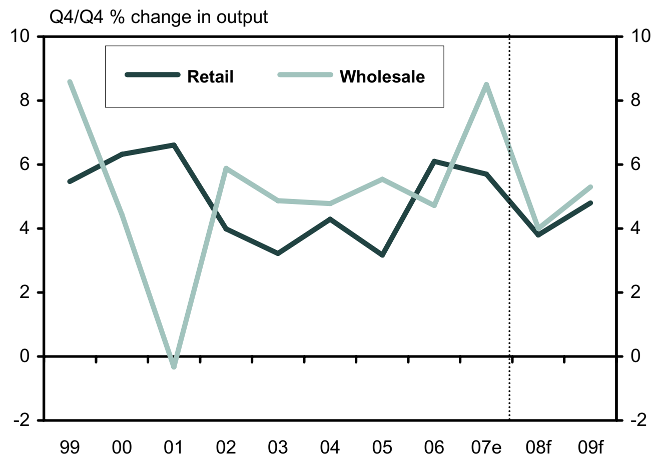
Service industries as a whole are expected to figure in the growth leader board this year and next, expanding by 2.8% and 3.4%. Over the last ten years, services output has expanded by 3.6% per year, with very little year-to-year variation since 2001. The swings in overall economic output typically result more from manufacturing activity cycles. The slowdown exacerbates the gap between services industry growth and goods industries growth, but they converge again on the upswing. Our forecast is no different. This year should see a yawning 3.2 percentage point gap in growth between the two aforementioned sectors of the economy. But, while services activity will remain better than that of the overall economy, the pace of growth will slow when compared to recent years. Nearly every single service industry should outperform vis-à-vis the overall economy this year. On the flip side, we expect service industries to record sub-par performance vis-à-vis their own performance over the last two years. Nonetheless, service sector growth should be sufficient to help steer the Canadian economy away from a recession in 2008.

The only two service industries that are not expected to outperform the overall economy are **transportation & warehousing** and public administration. The former correlates quite well with the overall level of economic activity, and typically underperforms when the economy slows. Our expectation is no different in this round of the economic cycle, especially with elevated fuel prices pushing up input costs for air and truck transportation services. The best to hope for this year would be growth on par with the economy's output growth. Meanwhile, **public administration** activity typically holds up better and can overperform when the economy slows. However, in keeping with recent history, and a weaker fiscal outlook for fiscal year 2008-09, we expect modest growth of 1.5% in this sector.

Consumer-oriented services (e.g. **retail trade**) are poised to do well in 2008-09. Their fate is largely tied to recent wage and employment history as well as their near term outlook. As stated in our introduction, recent history on that front provides these industries with a fair bit of positive momentum. Success in 2008 for retailers will largely hinge upon what one chooses to look at. A wedge will be driven between the nominal value (current dollar) sales and inflation-adjusted sales (constant dollar, or volume) performance. Indeed, largely as a result of the high Canadian dollar, revenues and profit margins might be under pressure, but this consumer-friendly pricing environment should help maintain a healthy level of growth in volume terms, at 3.8% this year. Retailers have already adjusted some prices. The inflation outlook for consumer goods looks benign this year; many product categories will in fact experience outright deflation. While this industry is generally seen to be under pressure from a high currency, its export-



TRADE

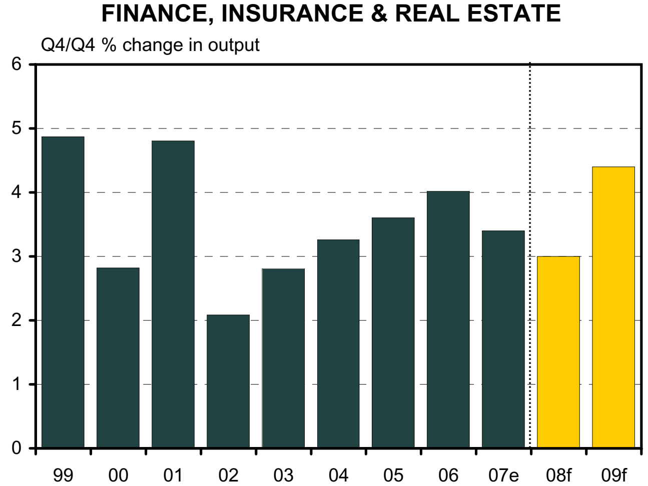


Source: Statistics Canada, e, f: Estimate and Forecast by TD Economics

orientation to the U.S. is close to nil while its import-competition from the U.S. is somewhat overblown. Furthermore, the threat of cross-border shopping essentially broadens the scale and scope of competition, hardly a negative.

Meanwhile, **wholesale trade** should also lead the way in service industry growth. Buoyed by globalization, advances in information & tracking technology, and solid growth in business and consumer spending (most notably in the country's western provinces), this industry's growth has been nothing short of stellar, placing it on the growth podium for close to a decade. As buyers and distributors of products increasingly made elsewhere, wholesalers benefit from a strong currency. This has been reflected by healthy balance sheets, high labour productivity, and remarkable employment growth over the last decade. While the pace of growth in this industry may well have peaked in mid-2006, we still expect it to grow by 4%, more than twice the projected growth rate of the economy.

FINANCE, INSURANCE & REAL ESTATE



Source: Statistics Canada, e, f: Estimate and Forecast by TD Economics

After a bullish run that started in 2003, the **finance, insurance & real estate** industry starts the year facing significant headwinds. Retail banking and insurance should be decent performers over the forecast horizon. Real estate, commercial and investment banking will most likely experience diminished levels of activity due to overall weakened market conditions, albeit from record highs. With its sheer size, the finance, insurance, & real estate industry is a bellwether for the Canadian service industry and should still grow above 3.5% per annum in 2008-09, continuing to better not only overall economic growth, but also overall service industry growth. Much of the relative weakness in growth will be concentrated between Q4 2007 and Q2 2008. Fourth quarter growth figures should highlight this sector's typical lead in and out of the economic cycle, a good news story for 2009.

Service sector to reach 70% of output

It has become a cliché to say that we are a 'service economy', but this takes nothing away from the validity and importance of that statement. Its importance has become a stabilizing force of economic growth, as the current cycle will clearly show. Its validity is seen by stepping back and looking at the longer-term evolution of value-added by sector in the economy. Over the last four decades, the service share of the economy has grown from 60% to nearly 70%, a threshold that will almost surely be reached by year-end 2009.

This is not specific to Canada. All developed economies experience this. It is a reflection of the increased specialization and gains from trade and productivity that drive growth. The relative value of work (market time as opposed to leisure time or non-market activity) increases over time, the size of the average household shrinks, and the population ages. Each of these long-term trends contributes to the 'outsourcing' of activities previously conducted by the individual, the family or the community. All signs point to an ever-increasing, rather than diminishing, role for private and public services.

Service-producing industries are also more tied to domestic growth factors than are good-producing industries, mainly because of their much weaker trade content. Most services, for example health care or education, just aren't traded as much across borders as are physical goods. Less

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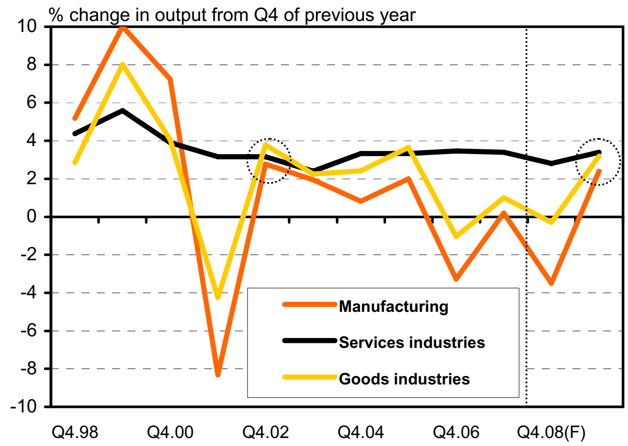

Source: Statistics Canada, TD Economics forecast as at Feb. 2008

than 15% of Canadian exports are services, most of these being commercial services. Technological advances do improve our ability to trade services across borders (e.g. private consultancy services via the Internet), but it is unlikely they will ever be traded as goods are, from raw materials to finished product.

Strength in service industry growth will help limit, but not eliminate, the extent to which the U.S. slowdown ('sneezing') translates into a Canadian 'cold'. That famous saying should be revised. It was meant to capture the idea that small changes in U.S. economic conditions can have outsized implications for Canada. The current scenario unfolding is in fact the reverse: the U.S. economy, certainly its housing market, is in what can justifiably be called a deep fever. Meanwhile, Canada is getting a case of the sniffles. We can pass the tissues and cough medicine, but a visit to the doctor will likely be unwarranted for Canada, in large part because of the size and performance of its service-producing industries.

Pascal Gauthier, Economist
416-944-5730

Out-performing industries in 2008

- Non-residential construction & engineering: +7.9%
- CONSTRUCTION: +6.1%
- Aerospace & Parts: +5.0%
- Wholesale Trade: +4.0%
- Administrative Services: +3.9%
- Retail Trade: +3.8%
- Information & Cultural Industries: +3.5%
- Finance, Insurance & Real Estate: +3.0%
- SERVICE INDUSTRIES: +2.8%
- Professional Services: +2.7%

Under-performing industries in 2008

- PRIMARY INDUSTRIES: +0.7%
- GOODS INDUSTRIES: -0.3%
- UTILITIES: -1.0%
- Computers & Electronics: -1.1%
- Chemicals: -1.5%
- Food Products: -2.3%
- Metal Products: -2.5%
- MANUFACTURING: -3.5%
- Machinery: -3.7%
- Plastics & Rubber: -4.7%
- Forest Products: -8.2%
- Autos & Parts: -8.5%
- Forestry, Logging & Other Primary : -10.5%

Industries performing on par in 2008

- Accommodation & Food Services: +2.3%
- Agriculture: +2.0%
- Residential Construction: +2.0%
- Oil & Gas: +1.8%
- Non-energy Mining: +1.7%
- Public Administration: +1.5%
- Transportation & Warehousing: +1.4%

CANADIAN INDUSTRIAL OUTLOOK

REAL GROSS DOMESTIC PRODUCT BY INDUSTRY*

	Level	Share of	Annual % change					Q4/Q4 % change				
	$Billions	Output	Actual		Est.	Forecast		Actual		Est.	Forecast	
	2006	2006	2005	2006	2007	2008	2009	2005	2006	2007	2008	2009
ALL INDUSTRIES (GDP)	**1,193.9**	**100.0%**	**2.9**	**2.9**	**2.3**	**1.9**	**2.6**	**3.4**	**2.0**	**2.6**	**1.8**	**3.3**
GOODS INDUSTRIES	**375.5**	**31.5%**	**2.7**	**1.2**	**0.4**	**0.2**	**1.8**	**3.6**	**-1.0**	**1.0**	**-0.4**	**3.2**
PRIMARY INDUSTRIES	**85.4**	**7.1%**	**1.4**	**0.5**	**-1.1**	**0.7**	**1.9**	**3.5**	**-2.3**	**-2.0**	**0.7**	**2.3**
Agriculture	19.3	1.6%	4.7	-1.4	-1.4	2.0	3.0	1.2	-1.6	-1.6	2.0	1.3
Oil & Gas	48.4	4.1%	1.0	2.5	-1.2	1.5	2.0	6.8	-3.6	-1.2	1.8	3.1
Non-energy Mining	9.0	0.8%	-0.3	-1.5	8.1	3.1	-1.5	-2.9	9.4	-0.2	1.7	0.4
Forestry, Logging & Other Primary	8.7	0.7%	-1.2	-3.5	-8.9	-10.5	2.5	-2.4	-8.1	-9.7	-10.5	1.6
MANUFACTURING	**186.6**	**15.6%**	**1.6**	**-1.0**	**-0.9**	**-2.0**	**0.5**	**2.0**	**-3.3**	**0.2**	**-3.5**	**2.4**
Autos & Parts	25.8	2.2%	0.7	-3.8	-0.4	-6.8	2.4	1.7	-7.5	3.7	-8.5	2.0
Aerospace & Parts	6.3	0.5%	8.2	4.1	0.6	4.2	4.5	4.3	3.7	0.2	5.0	2.5
Wood & Paper Products	23.1	1.9%	-0.6	-6.3	-7.3	-9.0	-1.5	-5.2	-7.6	-7.3	-8.2	1.3
Food Products	18.6	1.6%	1.7	5.9	2.2	2.6	2.0	1.2	7.3	-1.4	-2.3	3.1
Chemicals	16.5	1.4%	1.2	3.3	-3.0	-4.3	0.5	3.6	0.1	-2.9	-1.5	0.6
Plastics & Rubber	10.2	0.9%	2.0	-1.1	-4.4	-5.0	2.9	5.6	-6.8	-1.8	-4.7	3.4
Computer & Electronics	6.8	0.6%	1.2	2.7	4.6	4.0	3.0	5.5	4.7	1.9	-1.1	3.8
Machinery	13.9	1.2%	9.2	1.7	2.8	2.1	2.4	12.5	-4.5	6.1	-2.7	4.2
Metal Products	26.0	2.2%	3.1	0.6	0.0	-1.2	1.0	5.3	-4.3	3.0	-2.5	1.8
Other Manufacturing	39.4	3.3%	-0.5	-3.7	-0.3	0.3	-3.1	-0.7	-4.1	0.6	-1.8	2.8
CONSTRUCTION	**74.1**	**6.2%**	**7.8**	**8.1**	**4.3**	**5.4**	**4.3**	**8.9**	**6.4**	**3.9**	**6.1**	**5.3**
Residential	23.3	1.9%	3.6	2.8	1.5	1.0	2.5	1.7	0.1	3.8	2.0	3.5
Non-res. & Engineering	50.9	4.3%	10.0	10.8	5.8	7.0	5.0	12.9	9.5	3.9	7.9	6.0
UTILITIES	**30.1**	**2.5%**	**4.9**	**-1.4**	**3.2**	**-1.5**	**3.0**	**1.8**	**-2.6**	**6.5**	**-1.0**	**4.9**
SERVICE INDUSTRIES	**818.9**	**68.6%**	**3.1**	**3.8**	**3.2**	**2.6**	**3.0**	**3.3**	**3.5**	**3.4**	**2.8**	**3.4**
Wholesale Trade	68.4	5.7%	6.0	7.1	4.2	2.8	4.0	5.5	4.7	8.5	4.0	5.3
Retail Trade	69.0	5.8%	3.6	6.0	5.6	4.0	3.7	3.2	6.1	5.7	3.8	4.8
Transportation & Warehousing	55.5	4.6%	3.5	3.2	1.7	2.0	3.4	4.8	1.6	2.3	1.4	2.6
Information & Cultural Industries	43.1	3.6%	4.0	3.1	2.4	2.5	3.0	3.0	3.2	1.9	3.5	2.9
Finance, Insurance & Real Estate	221.9	18.6%	3.3	3.8	4.2	3.4	3.9	3.6	4.0	3.4	3.0	4.4
Professional Services	55.4	4.6%	2.8	2.9	3.4	2.5	2.8	2.9	3.1	3.0	2.7	3.2
Administrative Services	30.5	2.6%	5.2	6.1	3.8	3.5	4.2	5.4	4.9	3.6	3.9	4.4
Accommod. & Food Services	27.4	2.3%	2.7	3.6	1.3	0.8	1.5	2.5	4.8	0.6	2.3	2.9
Public Administration	66.8	5.6%	1.5	2.2	1.2	1.2	1.6	2.8	1.1	1.9	1.5	2.0
Other Services	180.9	15.2%	1.7	2.6	2.2	1.8	1.7	2.0	2.6	2.4	2.3	1.7

*Measured in chained 2002 dollars; Forecast by TD Economics as at Feb. 2008. Source: Statistics Canada / Haver Analytics, TD Economics.