



HIGHLIGHTS

- Much as the global recession was highly synchronized around the world and across the nation, the recovery will simultaneously lift all provinces.
- Assessing the combined output and employment impact of the recession on provincial fortunes, we arrive at the following clusters or tiers:
 - (1) *The Badly Wounded:* Ontario, British Columbia, and Alberta;
 - (2) *The Middle Pack:* Newfoundland & Labrador, Nova Scotia, New Brunswick, and Quebec;
 - (3) *The Merely Scraped:* Saskatchewan, Manitoba, and Prince Edward Island.
- Provinces having lost the most ground in 2009 will tend to rebound the most in 2010. However, this clean separation will be muddied by offsetting factors such as a high Canadian dollar and ongoing restructuring/adjustments in key industries such as natural gas, forestry, and autos.
- 2010 should therefore be a transition year during which growth resumes in the U.S. and around the globe, but at a modest healing pace rather than a blistering one. In the process, provincial economies should learn much about where their 'new normal' lies for 2011 and beyond.

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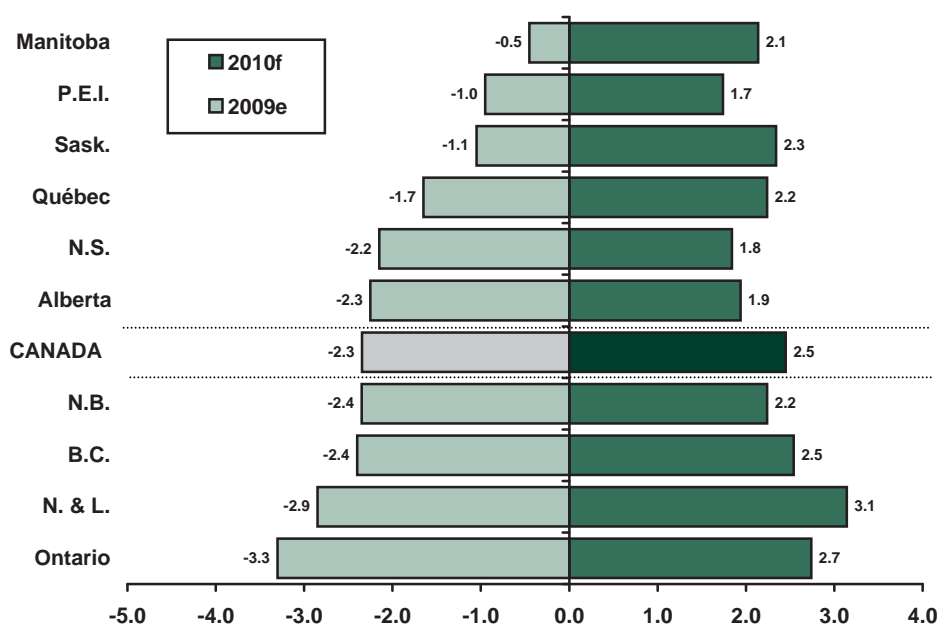
SYNCHRONICITY, THE B-SIDE

Once upon a time, vinyl records were the mainstream music media support. The A-side has been played loud and clear, over and over again, to the point of saturation. In economic terms, that would be the global recession. While we can still hear its echoes and see its lingering economic consequences, these will tend to grow faint over the next few quarters. On to the flipside then, or B-side: the global recovery.

Never before in the history of Provincial Economic Accounts, which date back to 1981, have all provinces seen simultaneous contractions in annual GDP. There was always a regional outlier in previous recessions. In 1982, the economy of every Atlantic province actually grew. In 1992, all provinces west of Manitoba narrowly escaped contraction. That was then, this is now. The world, including within Canada, was nowhere nearly as integrated as it is these days. Moreover, few if any markets are as tightly and deeply integrated globally as are financial markets. Because of its origins in the U.S. and worldwide financial crisis, the ensuing recession was bound to have this globally synchronized imprint all over it.

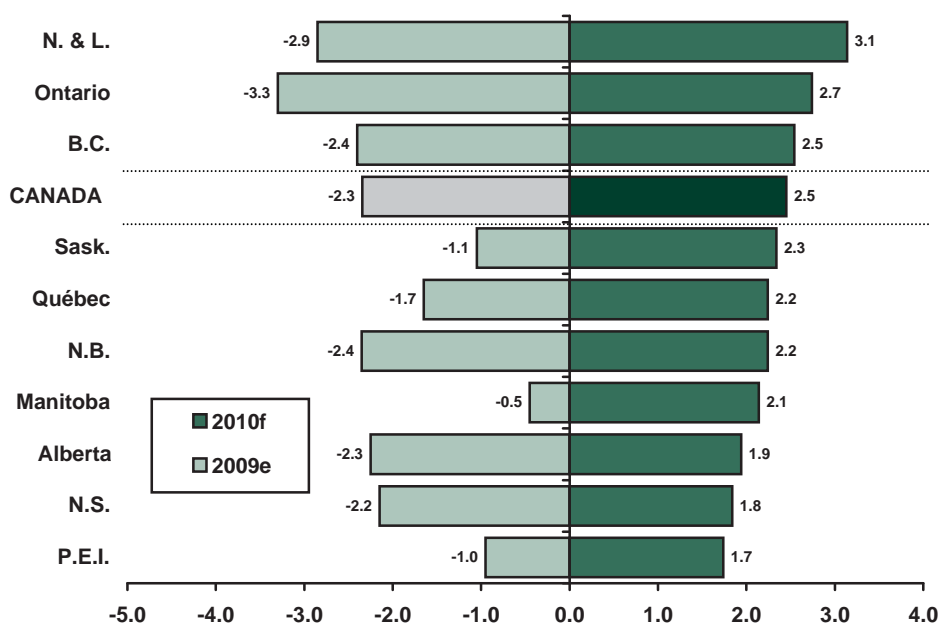
Yet until about six months ago, most economists still reasonably hoped that a province or two – the main candidates being Saskatchewan, Manitoba, and Prince Edward Island – could avert a real GDP contraction in 2009. Sadly, we abandoned this consensus view back in June when predicting that the real GDP decline would leave no province behind. The actual GDP figures for 2009 won't be available until next year, but we stand by this assessment. There is still the odd chance that a province or two could eke out a marginal gain, with the

The A-side: Provincial Real GDP (% chg.), ranked by 2009 estimates



e: Estimate, f: Forecast by TD Economics as at Oct. 2009.

The B-side: Provincial Real GDP (% chg.), ranked by 2010 forecasts



e: Estimate, f: Forecast by TD Economics as at Oct. 2009.

likeliest candidates now being Manitoba and Prince Edward Island, but the line between marginal growth and marginal contraction may be too thin to quibble over. From significant slowdowns to severe recessions, provinces have all felt the global shockwave ripple right through their economies with consequence.

Looking forward to the recovery on a provincial basis, it remains important to fully assess the amount of ground loss during the recession, mostly in terms of output and employment. By these measures we can roughly cluster economies into tiers of the badly wounded (Ontario, British Columbia, and Alberta), the in-betweens (Newfoundland & Labrador, Nova Scotia, New Brunswick, and Quebec), and the scraped (Saskatchewan, Manitoba, and Prince Edward Island).

As a starting point, there is reason to expect that those with the most ground lost will rebound more sharply next year. In other words, everything else equal, a V-shaped recovery unfolds. Simple as it sounds, the natural state of economies is to grow. When held down by extraneous forces, they tend to bounce back in proportion to the forces that initially held them back.

The story does not end there, however. There are offsetting factors at play than can hinder this recovery process. Moreover, the damage done by a financially-driven global recession may be semi-permanent in some areas. A multi-year restructuring process in the auto assembly & parts industry and the forestry, pulp & paper industries are major roadblocks that we think will hinder the overall recovery of provincial economies with a significant footprint in these

sectors.

Another recovery ‘whac-a-mole’ would be an elevated Canadian dollar, which we forecast to be at or above parity against the USD for most of 2010, and remain valued above 90 U.S. cents throughout the forecast horizon. Cited as a risk in the Bank of Canada’s outlook but built into our baseline scenario, a high Canadian dollar certainly mutes the recovery we can expect in USD-denominated exports, most especially when competing against markets who peg their currency to the USD. Without a commensurate appreciation in the USD-priced commodities a high Canadian dollar also

Macroeconomic Assumptions

- U.S. real GDP to rise by 2.4% in 2010, 3.3% in 2011
- Canadian real GDP to expand by 2.5% in 2010, 3.1% in 2011
- WTI prices to hold in the US\$70-85 range over the next 24 months
- Natural gas prices to claw thier way back to the US\$6-7 range in 2010-11
- Ex-energy, commodity prices (on average) set to rise by 10-15% during 2010 and 2011, led by the forest products sector
- BOC overnight rate to stay at 0.25% until Q4 2010, then rise to 3.25% by the end of 2011
- C\$ to reach US\$1.02 by Q2 2010, then fall back to 89 US cents by the end of 2011



hinders recovery of commodity exports. And as we highlight in the box on the previous page, we don't see much upside for most key USD commodity prices over the next 12-24 months. Tourism also suffers from an elevated exchange rate, as Americans look for better bargains elsewhere or just elect to 'stay-cation'.

In all, we do look for the global recovery and a resumption of trade flows from depressed levels to lift all provincial boats. By the same token, global and U.S. growth will not immediately jump back to pre-recession speeds, so we don't

see any province off to the races in the near-term. 2010 could better be characterized as a transition year during which (1) the badly wounded will find out if beleaguered sectors can fully recover or if other sectors can take up the slack, (2) the in-betweens can count on improved external conditions and relatively healthy domestic factors to pull them through, and (3) the scraped notice they've lost a few feathers and realize their cruising speed also depends on the rest of the flock. Turn to subsequent pages for our province-by-province analysis and outlook.

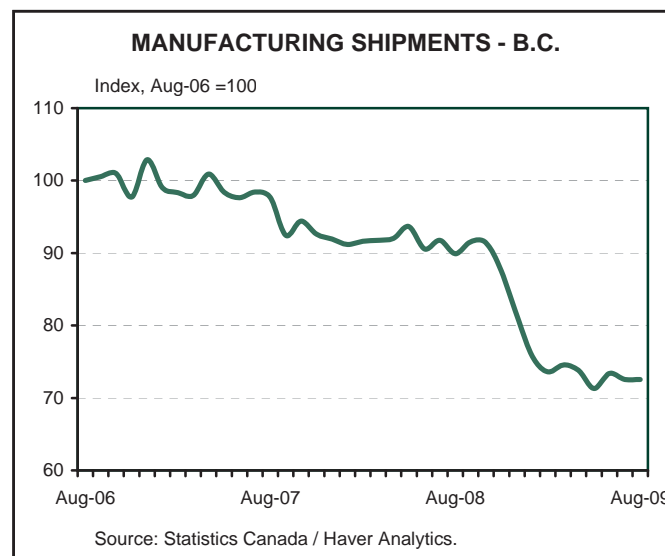
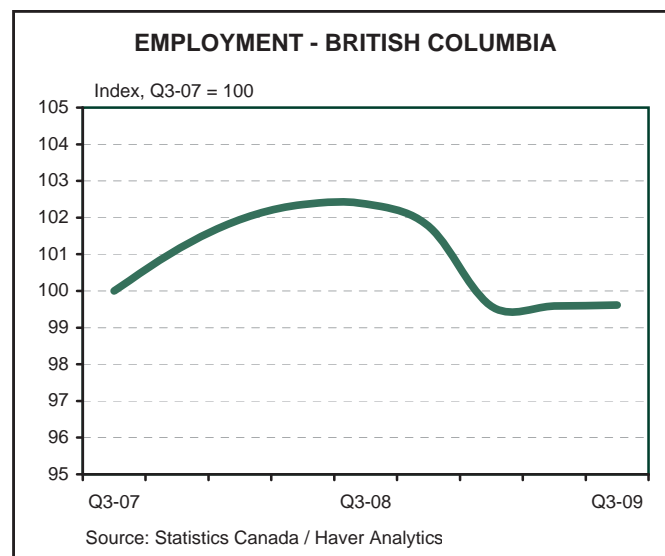
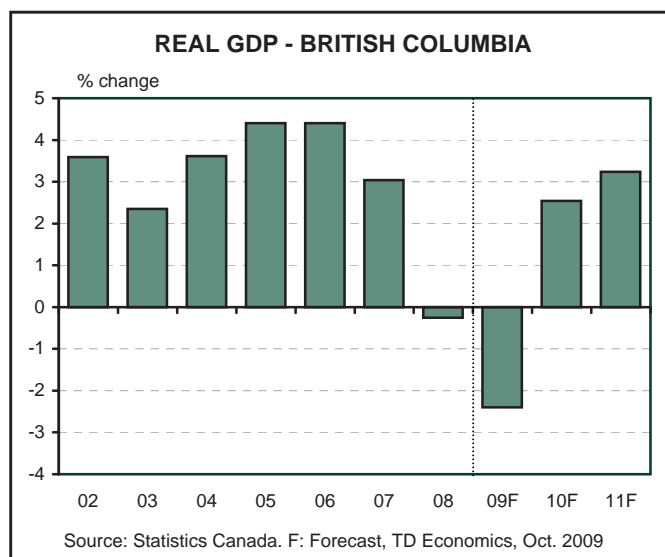
BRITISH COLUMBIA – HOSTING THE WORLD, ON THE CUSP OF RECOVERY

It is hard to find a sector of the B.C. economy which didn't suffer greatly during the recession. With few positive offsets, contractions in external demand (combined with low key commodity prices), the resource sector, housing, retail spending, and others all fed on each other to generate an estimated 2.5% decline in real GDP this year. This will mark the largest pullback since 1982. Employment hasn't fared better, dropping by 3.6% from peak (Aug-08) to trough (May-09), and, conversely, the unemployment rate surging from 4.5% to 7.7% in the year spanning from Q3-08 to Q3-09.

That was the bad news, but positive signs have started to emerge. First and foremost, employment seems to have bottomed out, and managed to net a gain of nearly 13,000 (0.6%) from May to September. This has been led by a broad stabilization in goods-producing sectors and a solid gain in trade jobs. Particularly important have been stable manufacturing and construction employment levels over the last six months, since those industries had been hit the hardest.

As Canada's logistics hub to Asian markets, the province will benefit from the thawing of trade flows and the pickup in global growth. After retrenching significantly, the export-oriented forestry sector will see better days in 2010-11. North American housing starts have embarked on a slow and gradual recovery, and lumber prices should firm up as a result. Similarly, mining and energy exports will benefit from the uptrend in commodity demand and prices. Nonetheless, the offset from a high Canadian dollar will mute the US-bound export recovery, with net exports likely remaining a drag on GDP growth throughout the forecast horizon. Tourism and hosting of the Winter Olympics early next year will undoubtedly boost GDP via a prop-up of services related to retail, food, and accommodation.

On the domestic side, we also expect housing starts and residential investment to resume growth. While a return to inflated pre-recession levels seems unlikely over the next several years, the uptick in dwelling starts forecast will be large in percentage terms, as will their contribution to overall real GDP. Government spending will also be lending a hand in the early stages of recovery. Consumer spending will no doubt contribute to the overall growth picture, but might lag and be outpaced by other channels of final domestic demand. All said, real GDP should grow largely on par with that of Canada, at 2.5% in 2010 and 3.2% in 2011.



ALBERTA – STILL CATCHING ITS BREATH

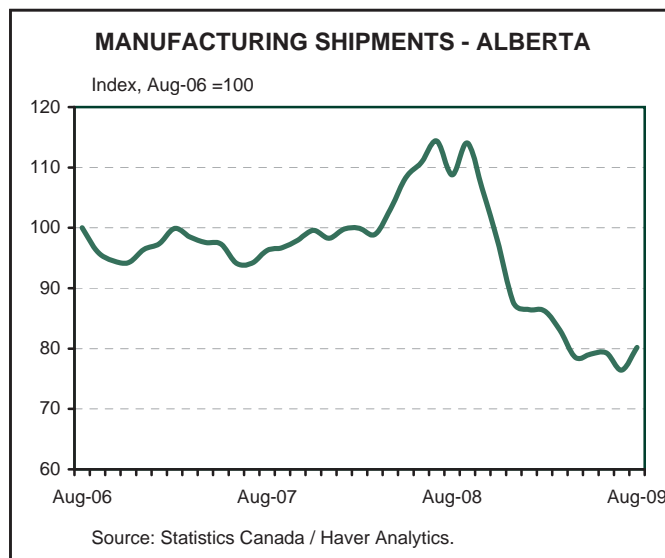
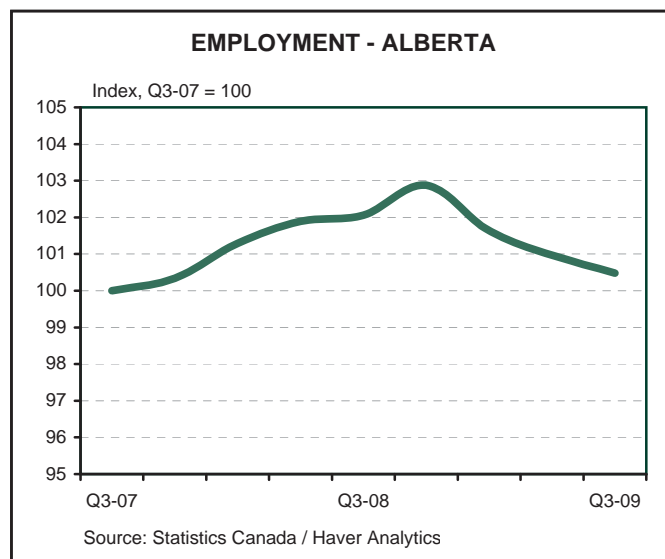
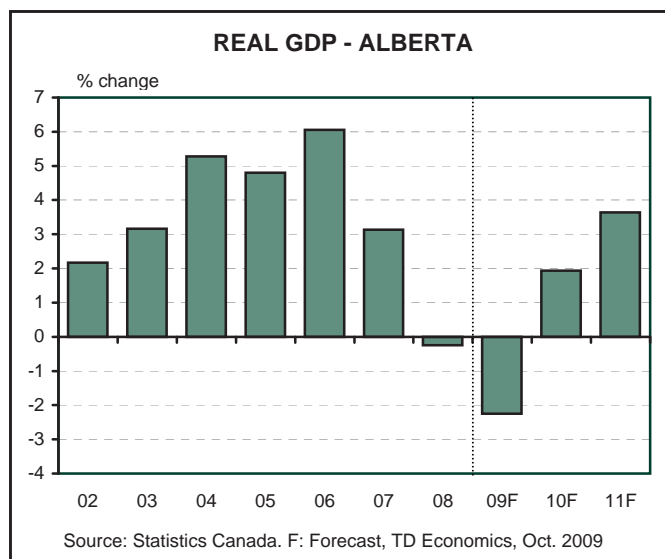
Once the engine of Canadian economic growth at the heart of the commodity and housing boom, Alberta's own economic engine seriously misfired this year. Only Ontario and B.C. have suffered as much through the current recession. Public and private capital spending intentions are down 17.2% for this year. After retreating by an estimated 2.3% this year, in line with Canada, real GDP will start to grow again next year. However, the province will likely lag the rest of the nation in 2010 at 1.9% growth before jumping ahead in 2011 at 3.6%. Domestic and external headwinds are delaying the province's rebound before its higher growth potential can be tapped into in 2011.

While most other regions of the country show clearer signs of stabilization and rebound, Alberta isn't quite there yet. Case in point would be the important natural gas sector. Drilling counts remain extremely depressed (-51% YTD) and prices remain soft, especially when converted to Canadian dollars. While we expect natural gas prices to grind upwards in 2010-11, the local industry faces serious challenges.

After showing signs of improvement from April through June, retail sales slid in July and August, failing to gain any traction on a trend basis. Sales will remain choppy over the following months as some overstretched households continue to pare back their durable goods and semi-durable goods expenditures. Retail sales in August were still 11.8% below peak, compared to 4.6% for Canada. Revisiting pre-recession levels will take that much longer.

On the labour market front, employment in the primary and manufacturing sectors, along with the overall goods-producing sector, has not yet established a clear bottom. While robust population and labour force growth has exacerbated the surge in the unemployment rate (from 3.7% in Oct-08 to 7.1% in Sep-09), the loss of 53,000 jobs (2.6%) remains significant.

Some stability and initial signs of a turnaround have emerged on the homebuilding front, however. Housing starts have increased during 4 of the last 6 months through September and fell only once. The resale housing market has also bounced back strongly as a result of significantly better affordability than a year prior, which should solidify household confidence and net wealth positions. Mark 2010 as a transition year from which the province can re-establish itself as a growth leader in 2011 and beyond.



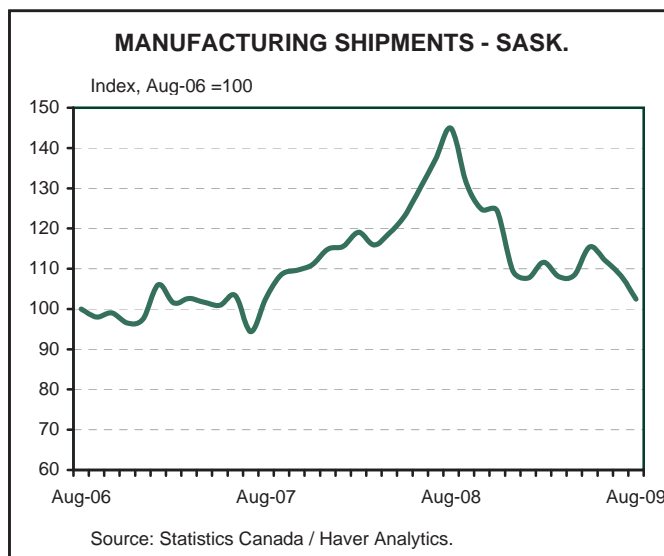
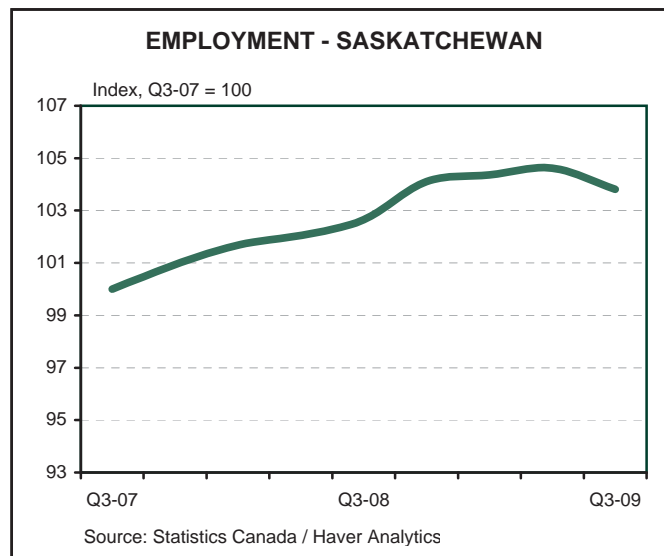
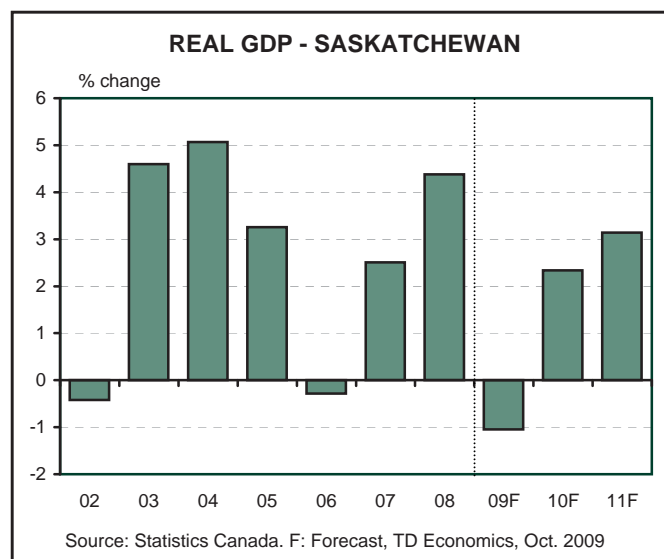
SASKATCHEWAN – JOIN THE CLUB

We would rather have been incorrect in June when forecasting a real GDP drop of 1.0% for the province this year. At the time, the consensus view was that Saskatchewan would be the sole province to experience economic growth. Unfortunately, it is looking increasingly likely that Saskatchewan will join the infamous club of contracting provincial economies in 2009 – which sadly will leave no province behind.

As unfortunate as that may be, the good news is that our estimate for 2009 real GDP growth (now -1.1%) has barely changed from June and the outlook for 2010 has brightened from 1.8% to 2.3%. Saskatchewan’s real GDP drop will nonetheless figure among the three best provincial performances this year, along with P.E.I. (-1.0%) and Manitoba (-0.5%). By a sizeable margin, Saskatchewan is also expected to take first place in terms of average real GDP growth for the 3-year period ending in 2010. Capital investment intentions of +3.2% in the province for this year are second best to only those in Newfoundland and Labrador.

This outperformance is also being reflected in the labour market. The unemployment rate has increased, from 3.9% at the onset of the nationwide recession in October 2008 to 4.6% in August 2009. But it remains quite low and has been boosted by new labour force entrants not initially finding employment. The net job loss tally barely registers at less than 1,000 (or 0.1%). As a result, retail sales have been recovering steadily and are already back on their sustainable pre-boom (2007) path. Homebuilding has certainly taken a hard hit as a result of see-sawing demand and price signals emanating from the resale market. But after plummeting from 8,000 units in Q2 of last year to a low 2,200 units in Q1 of this year, dwelling starts have been on a recovery path in Q2 and Q3.

Hence the overall domestic economy remains healthy. But the province is not immune to the massive negative external shock rippling through the world, which eventually took commodity prices along with it. Third quarter exports (customs basis) were 30-40% lower than a year-ago, and similar drops are foreseen in manufacturing shipments and wholesale trade. As spot commodity prices firm up and eventually translate into better contract terms, commodity output and investment will improve. As the drag from the external sector gradually wanes in 2010, the Saskatchewan economy is forecast to grow roughly in line with that of the nation as whole at 2.3%, before picking up to a healthier 3.1% in 2011.





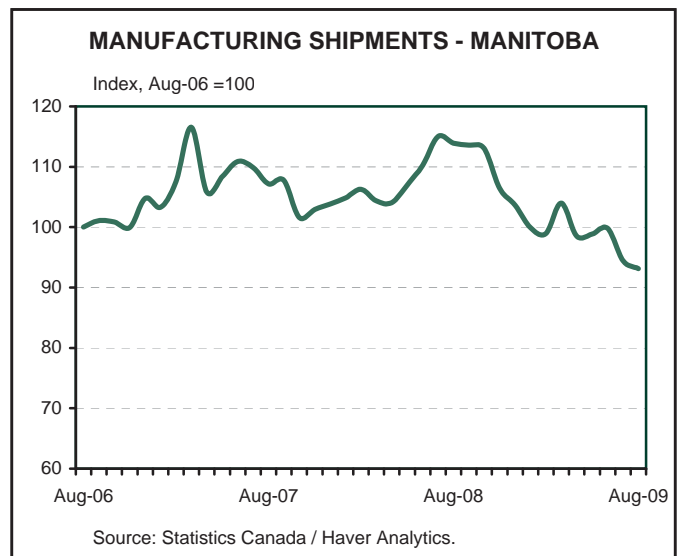
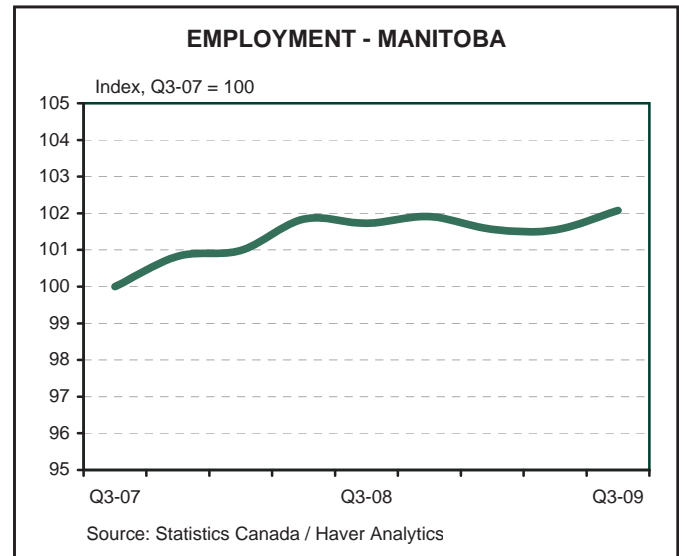
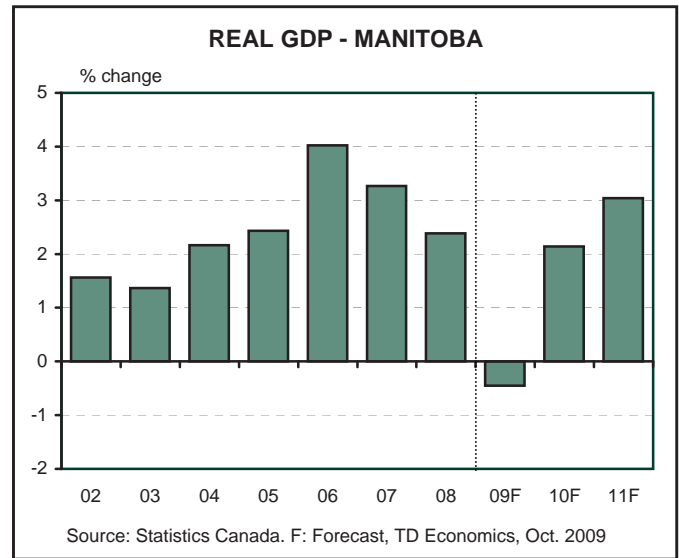
MANITOBA – MORE OF A SLOWDOWN THAN A RECESSION

Manitoba will experience the lightest hit among provinces from the recession in 2009. It might even be the only province to avoid a contraction. Still, we believe the most likely outcome is for real GDP to shrink by a modest 0.5% this year. In 2010, the global recovery will lift all boats, and Manitoba is no exception. But not having lost much ground in terms of output and employment translates into less pent-up activity waiting to be unleashed. In turn, we expect a subdued turnout with sub-national growth of 2.1% ramping up to 3.0% in 2011.

To be clear, no economy has been immune from the global recession. But the external shockwave faded by the time it hit the middle of the country. Not too heavily reliant on commodities or housing, this diversified economy was able to weather the storm better than other regions more exposed to the acute strength and weakness of these sectors. The external side of Manitoba's economy does show signs of strain. Third quarter exports (customs basis) were roughly 20% lower than a year-ago. Likewise, manufacturing shipments are down 17% and wholesale trade is down twice as much. For comparison, consider that year-to-date, these economic indicators show roughly double the magnitude of decline for Canada as they do for Manitoba.

Meanwhile, the domestic economy remains in relatively good shape. Crop yields may decline but year-to-date farm cash receipts increased modestly. Retail sales were only 2.2% lower than peak as of August, and should fully recover by year-end or early next year at the latest.

As of September, Manitoba was the only province to record net job creation since the onset of the nationwide recession in October 2008. Against all odds, 2,000 net new jobs (or +0.3%) have been created during that time. This has helped keep the unemployment rate at a low 5.3%, only one percentage point higher than in October 2008. While nearly 10,000 manufacturing jobs have been lost, construction employment has not suffered much. Dwelling starts only dropped markedly during one quarter (Q1-2009) and bounced back in the subsequent two quarters. Furthermore, the service side of the provincial economy has created enough jobs to more than fully offset the losses experienced in goods-producing sectors. On the whole, Manitoba households were therefore not particularly hard hit by the global recession. As a result, we see little reason the province would veer off its goldilocks path over the next two years.



ONTARIO – SLOWLY MAKING UP LOST GROUND

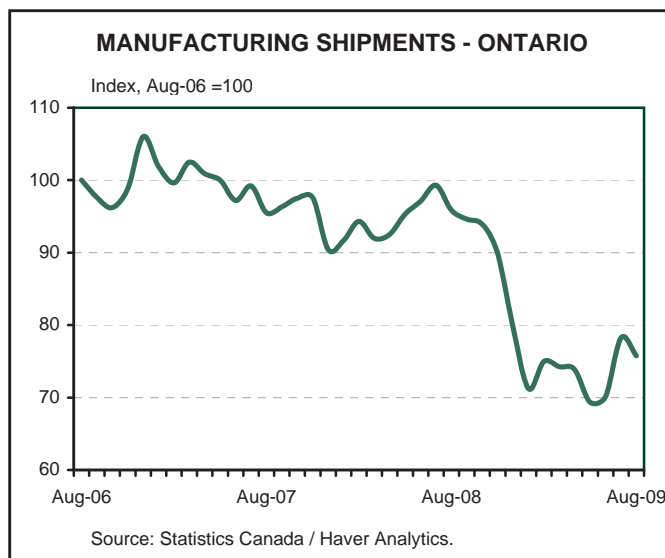
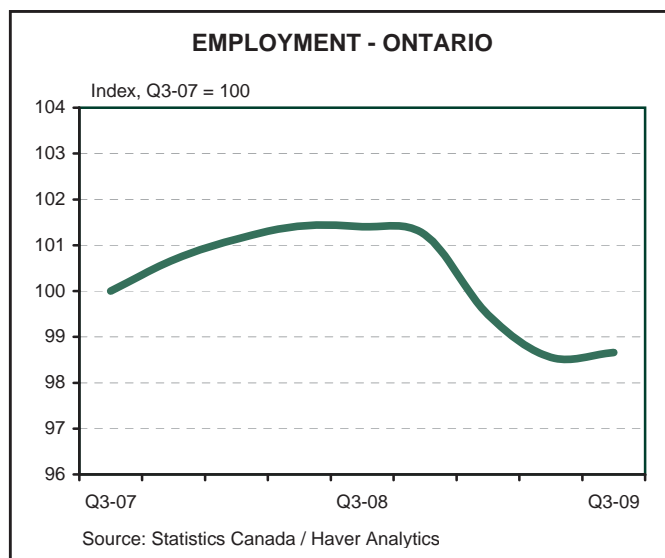
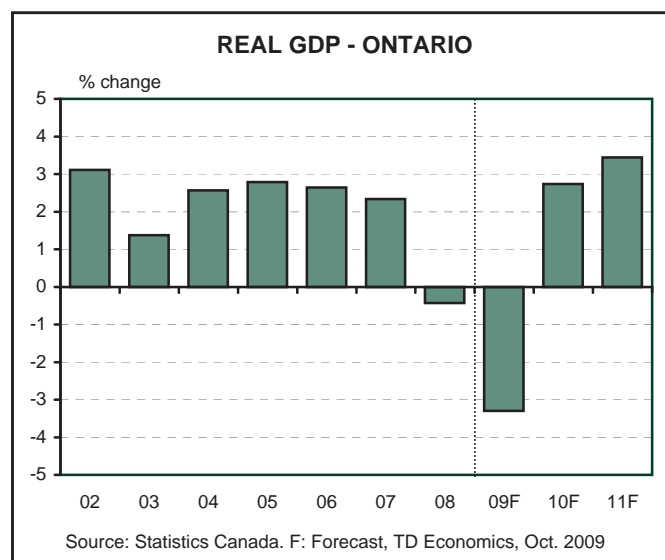
After a significant real GDP contraction estimated at 3.3% this year, we expect a rebound of 2.7% next year as Ontario resets from depressed levels of output, particularly in its durable goods industries. With the U.S. and other trading partners picking up the pace in 2011, Ontario's real GDP growth should ramp up to 3.1%. Much as this economy underperformed against the national economy in 2008-09, we anticipate a slight outperformance in 2010-11 as it begins to make up some of the ground lost during the recession. As of Q2-2009, Ontario's real GDP was 5.0% lower than its pre-recession peak. The same measure was 3.3% lower for Canada as whole.

While the strong tilt of the Ontario economy towards U.S. exports and a rebound on that external front argue in favour of this outperformance, it will initially be muted by a high Canadian dollar. The currency should remain near or above parity with the USD for most of 2010, and remain above 90 U.S. cents throughout our forecast horizon. Furthermore, because intermediate and final goods imports could well outpace exports in 2010, we will likely have to wait until 2011 before net exports contribute positively to overall growth.

On the domestic side, expect consumer expenditures to contribute most, and not just because of their size either. As of September, employment in the province had already shown signs of stabilization and led Canada with a net job creation in Q3-2009 at nearly 40,000.

While not expected to boom by any means, other ingredients in the recovery include residential investment, which should contribute modestly in the second half of this year and continuing in 2010 before ramping up in 2011. A gradual uptrend in housing starts and renovations, well supported by existing home sales and values, should unfold over the next two years. Private non-residential investment could lag behind but should eventually resume its growth in the second half of 2010. Investment in machinery and equipment should also improve slightly in 2010 after a 15-20% drop estimated in 2009. Also, as a result of fiscal stimulus spending (all governments combined) gaining more traction in 2010-11, government capital expenditures should contribute more than usual throughout 2009-11.

The ground lost in Ontario both in terms of output and employment has been large, but Canada's economic hub will be on the mend in 2010-11. As the investment and export drags wane, the domestic consumer should be allowed to show some of its mettle once again.



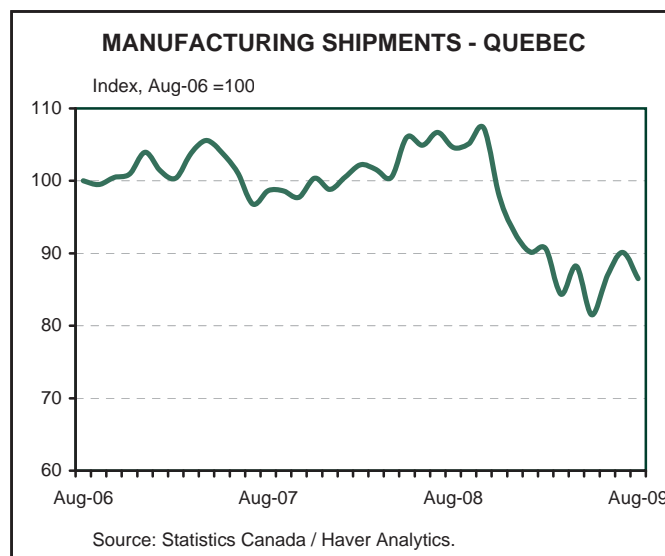
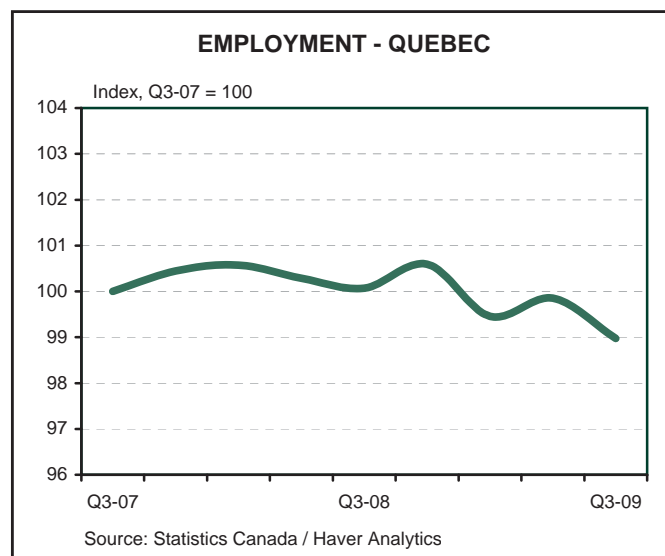
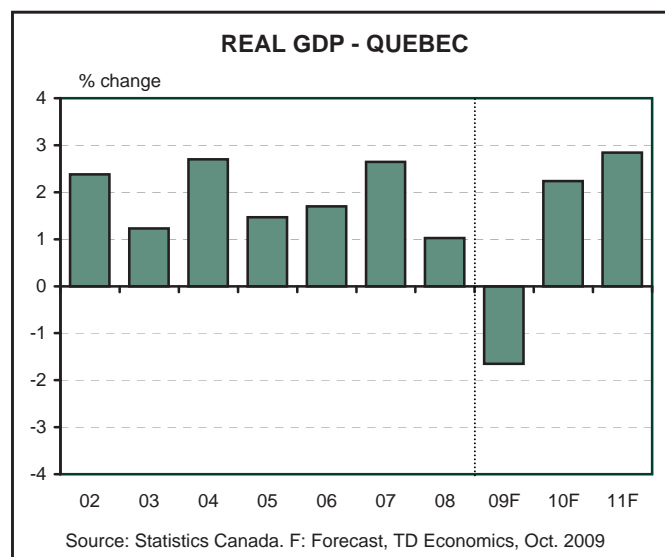
QUEBEC – MODEST RECESSION, MODEST RECOVERY

The impact of the recession is still rippling through Quebec in delayed and more modest fashion when compared to its sister province of Ontario. The manufacturing and export-oriented sectors of the provincial economy do show signs of strain, much like elsewhere in the country. Still, the drop off in manufacturing shipments is less severe than in the rest of Canada, which was led by the collapse in auto shipments in Ontario. Aerospace – the largest single export industry in Quebec – has a long production pipeline and the impact of the global recession on its order books and activity has taken more time to be felt than in Ontario’s automotive sector – where the hit was immediate and deep.

When all is said and done, the current recession will have been shallower and shorter than in Canada as a whole and when compared to the province’s own experience in the past two recessions. We estimate the recession will have lasted 7-8 months, during which quarterly real GDP will have posted a peak-to-trough decline of roughly 2.5%. This is less than even the annual percentage drops in real GDP experienced in 1982 (-3.6%) and 1991 (-2.7%).

The outperformance is more visible in Quebec’s domestic economic activity, as well as its labour market. Employment has retreated by 1.6% in the current recession, a far cry from the 4.1% drop of the early 1990s and the massive 7.4% drop of the early 1980s. Homebuilding and renovation activity have also held up better, as have retail sales. Strong and sustained growth in public capital spending has also picked up some – but not all – of the important slack left by private-sector investment. Initial public and private capital spending intentions for this year, released by Statistics Canada in March, looked much better (-0.4%) than in Canada (-6.6%), but have since been revised by -9.1%, placing them largely on par with the expected retrenchment in Canada.

If the U.S. recession were prolonged, the Quebec economy would no doubt deteriorate further. By most accounts, however, the U.S. recession is likely over, and the province should therefore sidestep the worst. Real GDP growth resumed in the summer (0.7% M/M in June and 0.1% M/M in July) after a string of seven consecutive contractions. Yet August might witness another decline, suggesting a choppy rather than straight-lined recovery. The flipside of not having seen the most severe drops in activity is that less of a cyclical bounce-back is to be expected. All said, after contracting by an estimated 1.7% this year, real GDP is expected to post a sub-national 2.0% growth rate next year before gearing up to 2.6% in 2011.

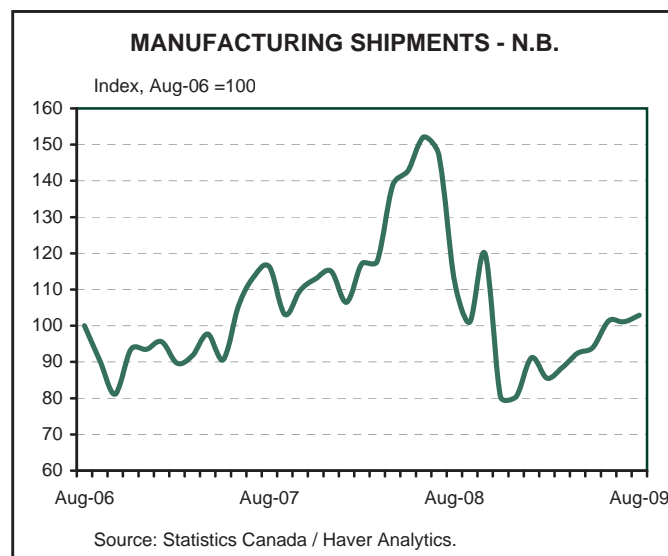
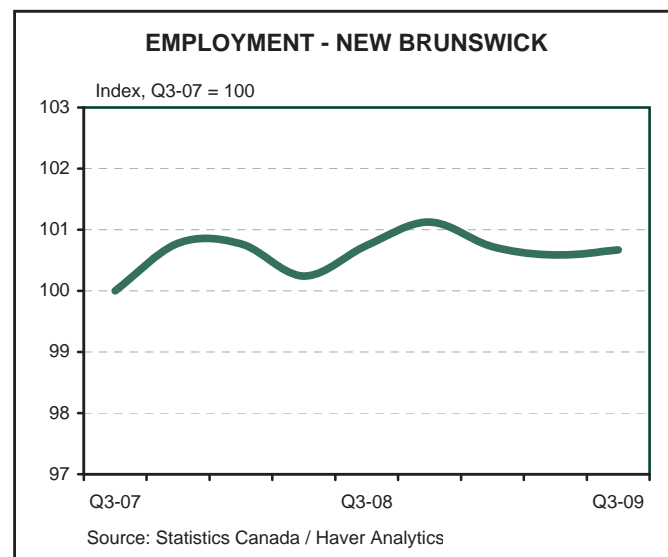
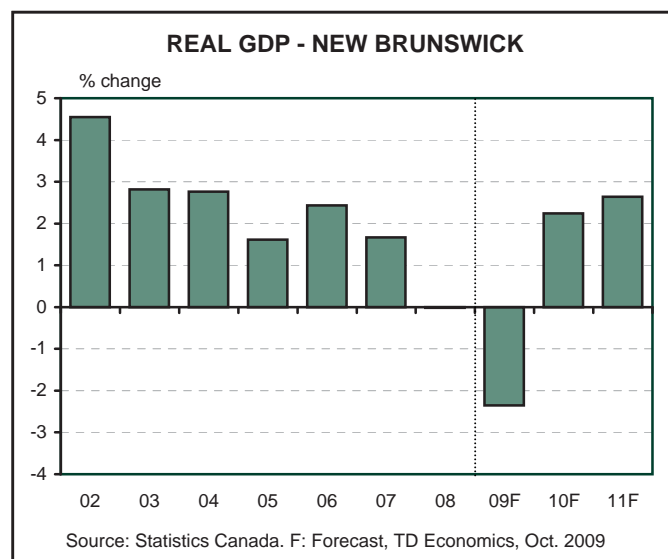


NEW BRUNSWICK – A TIGER IN WAITING

New Brunswick is expected to turn the page of a 2.4% drop in real GDP this year and resume on a growth path at a 2.2% pace in 2010, just slightly below the national pace of 2.5%. Much like everywhere else, sources of economic weakness throughout the recession are concentrated in commodities, manufacturing, and exports. The sizeable forestry sector is still reeling from depressed North American demand and prices. As North American housing starts gradually recover, lumber prices should improve. Unfortunately, a high Canadian dollar will continue to mute the earnings recovery for a sector engaged in a multi-year downsizing process. Depressed natural gas prices have not helped either, but a gradual uptrend is expected in 2010-11 as the U.S. and world economies regain their footing.

On the domestic side, major capital projects have helped support overall growth in 2009, but a lull could be felt next year as many are completed or near completion. Fiscal stimulus and tax reform will position the province well in years to come, but represent a significant challenge to provincial coffers in the near-term. Retail sales have not fared too poorly year-to-date, recording only about half the percentage drop seen in Canada and only 1.8% lower than peak values. A resilient and balanced resale housing market has provided some help. Residential investment eked out a low single-digit percentage gain Y/Y in the first half as a decline in new dwelling investment was more than offset by renovation investments. While we would not expect significant drop offs in housing-related activity, neither can they be counted upon to provide much boost to growth in the coming year. Employment in the province has also been a relatively bright spot. The unemployment rate has actually dropped from 8.9% in October 2008 to 8.1% in September 2009. This is mostly the result of some unemployed persons exiting the labour force, however, and obscures the fact that a relatively modest 1,400 jobs (0.4%) have nonetheless been shed. In any case, the employment landscape looks considerably healthier than in many other parts of the nation and is much less scarred than it was during the early 1980s recession in New Brunswick.

So while we expect important headwinds to result in the province not quite matching the national recovery, it will not be far behind. Moreover, it is transitioning to higher sustainable growth rates later if the fiscal reform bears fruit. In the interim, New Brunswick's economy is expected to expand near its historical longer-term pace, with gains of 2.2% in 2010 and 2.6% in 2011.



NOVA SCOTIA – LIFTING ANCHOR

At an estimated 2.2%, Nova Scotia should take second best in the Atlantic behind Prince Edward Island’s 1.0% in terms of smallest real GDP contractions. While the bar is being set exceptionally low by the near 3% retreat foreseen in Newfoundland & Labrador, it is not that bad a place to be, economically. Still, it constitutes a significant pullback as the well-known culprits of weak manufacturing, commodities, and exports combine to take a toll on this year’s earnings, output, and employment.

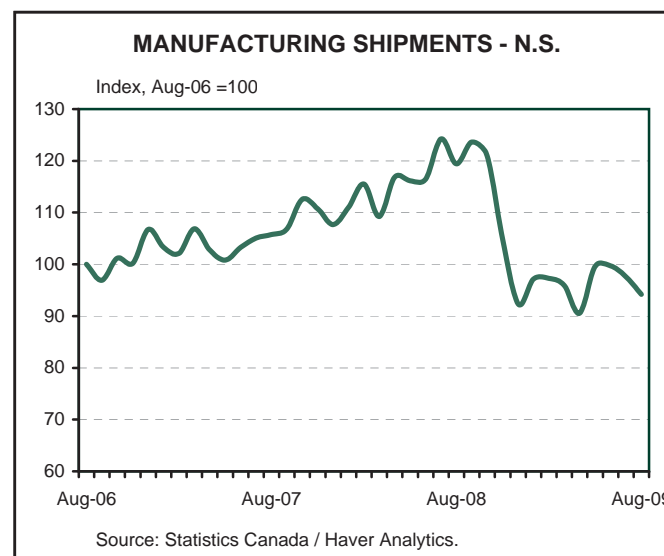
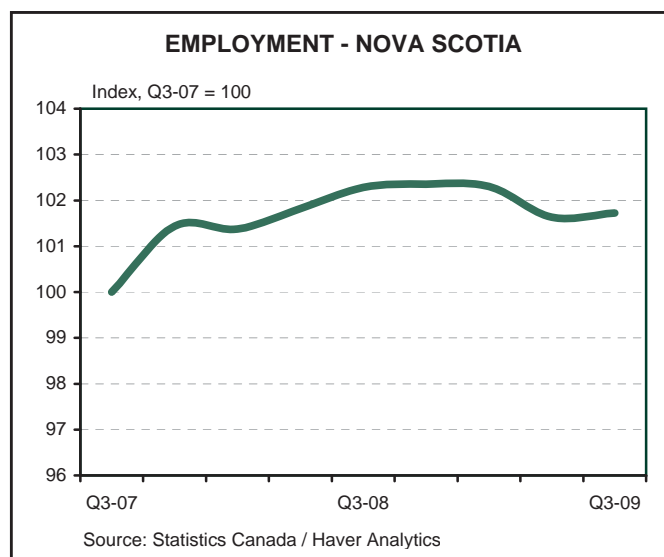
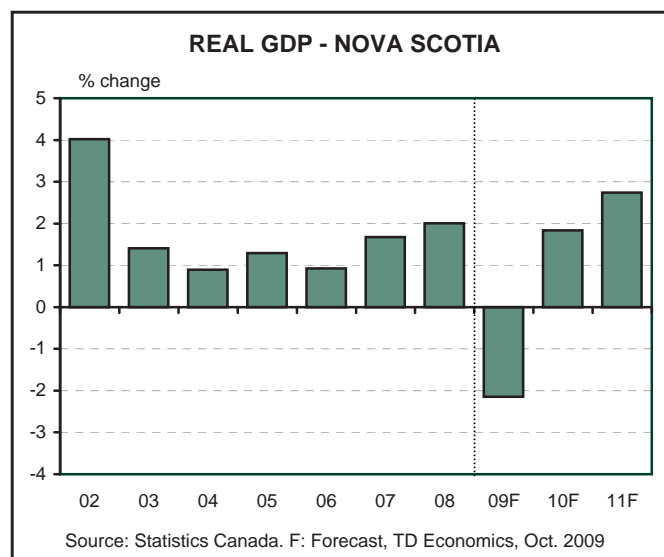
A net total of 5,400 jobs have been lost since the onset of the recession in October 2008, which is more than all other Atlantic provinces combined. Granted, forty per cent of the Atlantic population resides in Nova Scotia, but the percentage loss (at 1.2%) tells a similar tale. A disproportionate toll has been exacted in the manufacturing sector, which has shed nearly 10,000 positions. Some stability and growth in employment for other goods-producing industries and services has helped to cushion this blow, but not enough to fully offset it. Very similar to the situation for Canada as a whole, the unemployment rate has gone up by nearly 2 percentage points since October 2008, up to 9.5% for the province.

Looking ahead, the external sector will be on the mend next year as growth resumes in the U.S. and abroad. Firmer commodity prices, albeit partly offset by a high Canadian dollar, should also lift prospects. Tourism could fare better, yet still faces a challenging environment.

Meanwhile, while the domestic sector has not fared too poorly, growth opportunities appear somewhat limited. Retail sales do have room to grow in 2010, but an easing in population growth along with a stronger employment headwind inherited from this year suggests it will be modest. The latest data available shows Nova Scotians borrowing more and saving less than most other Canadians. As a consequence, the ongoing shift to thrift and need to increase savings rates should weigh that much more on local consumer spending in the next few years.

There are other contributions to growth the province can tap into, emanating for example from its large and growing service sector, alongside capital projects such as completion of the Deep Panuke natural gas field and public infrastructure projects.

While the recovery is expected to be subdued in its initial phase, translating into 1.8% real GDP growth in 2010, the anchor is being lifted and the provincial economy should accelerate toward a healthier 2.7% real GDP growth in 2011.



PRINCE EDWARD ISLAND – DEFLECTING THE HEADWINDS

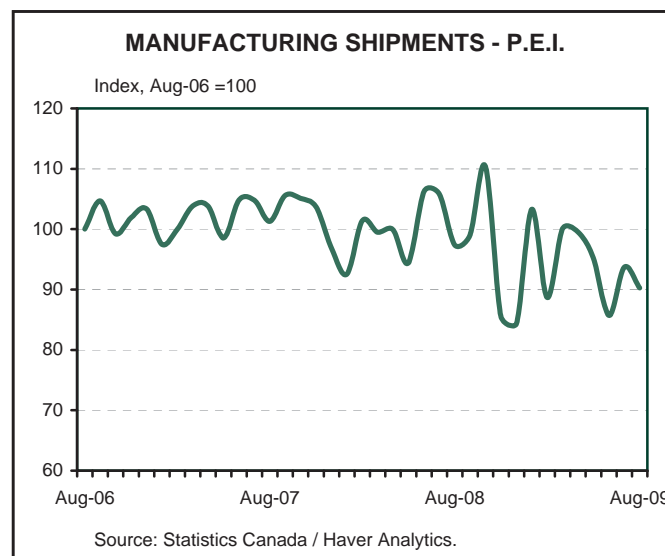
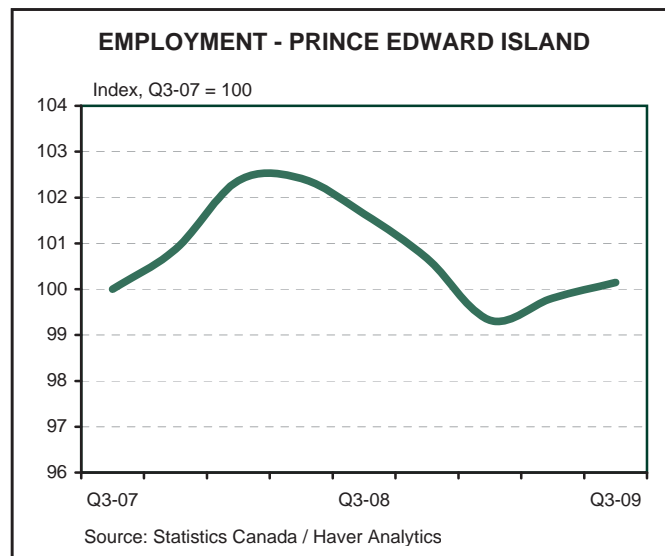
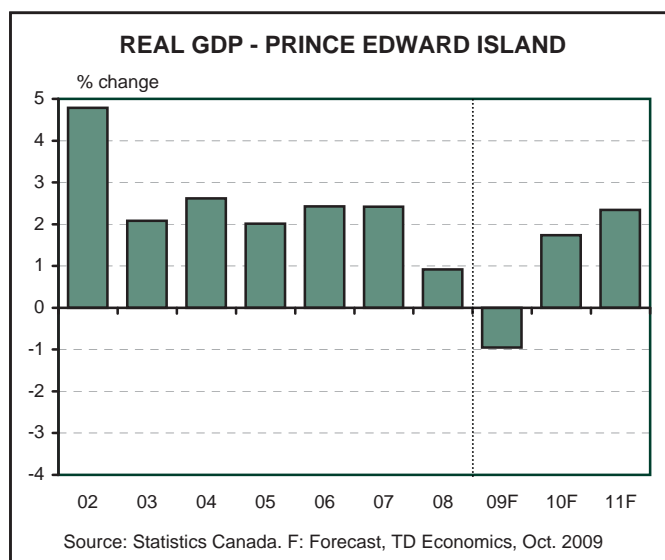
The Island economy has been surprisingly resilient in the midst of the global recession. The primary sector (agriculture, forestry and logging, fishing) has been somewhat of a mixed bag this year. Most primary sector producers have no doubt suffered setbacks in their export-oriented activities. But while the local fishery industry is still dealing with depressed prices and demand, farm cash receipts were up 16.3% year-over-year in the first half of 2009, mostly on the count of good potato crop receipts but also on higher livestock receipts. For a province reliant on nearly 6% of real GDP from agriculture-related activities, this is a sharp and welcome contrast to Canada’s 1.4% decline in farm cash receipts during the same period, with 6 of 10 provinces recording declines.

The high Canadian dollar certainly represents a significant challenge to Island exporters and other industries sensitive to the currency, such as the important provincial tourism industry. But the latter has not suffered too badly as of yet, as nearby destinations are still being sought by Canadians and Americans. Sources of growth have also been diversified in recent years, particularly within manufacturing, as evidenced by an increasingly important aerospace & parts sector. A large service economy and public administration sector, at nearly double the percentage of GDP as in Canada as a whole, has also helped to mute the magnitude of the economic cycle.

Meanwhile, the province’s labour market has held essentially steady through this recession, with employment (-0.1%) and the unemployment rate (+0.2 percentage points) barely changed from the onset of the recession.

Capital spending intentions as surveyed by Statistics Canada in July also highlighted the contribution from public and private spending in non-residential investments, expected to increase by 13% from last year.

All said, we now estimate real GDP will contract by 1.0% this year, a slight improvement vis-à-vis our previous forecast of -1.3% growth. And there remains a non-negligible chance the province might not see a contraction of real GDP at all. This places Prince Edward Island on a relatively better footing as we enter the recovery phase, but it does not have much lost ground to recover. We expect economic growth to resume at a modest, sub-national pace of 1.5% next year before ramping up closer its longer-term track record slightly above 2.5% in 2011.



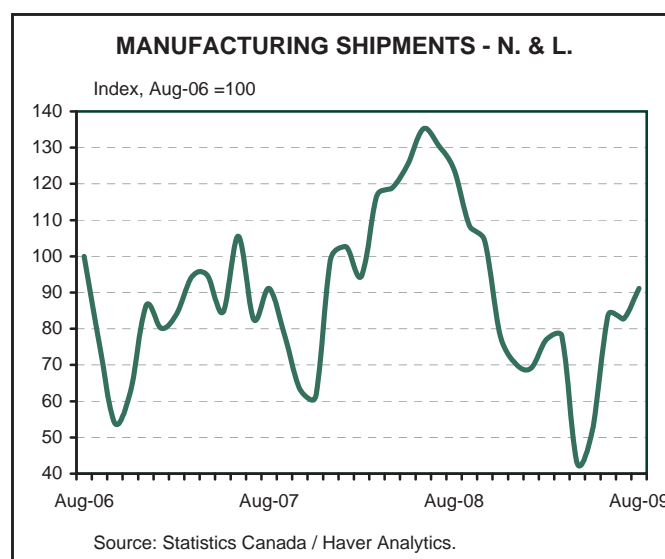
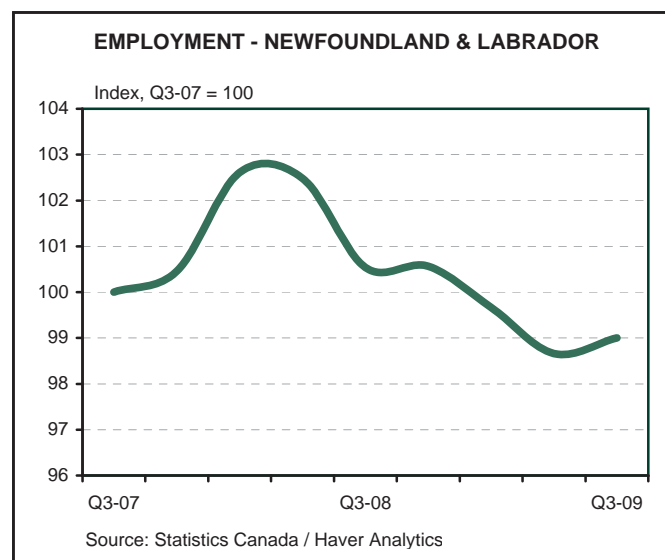
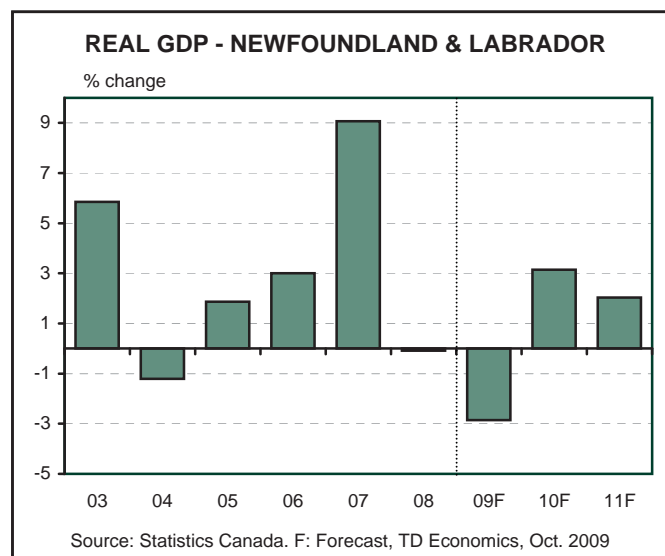
NEWFOUNDLAND & LABRADOR – IMPORTANT YET TEMPORARY SETBACK

A significant drop in offshore oil and mineral production will lead Newfoundland & Labrador's slide in real GDP this year, estimated at nearly 3%. Maintenance work at Hibernia and reserve depletions, along with weak demand for base metals, have all combined to set commodity output back and will constitute a significant drag on real GDP. Nearly a third of economic activity in the province is attributable to these sectors.

Thankfully, the outlook for next year is better and other sectors of the provincial economy, mainly on the domestic side, are humming along nicely. Even the commodity pullback leaves room for a significant bounce-back in production next year, which is expected as oil prices have rebounded from earlier lows. Satellite oil fields can be expected to offset the maturation of earlier pre-existing fields while mining activity should pickup on increased global demand. A high Canadian dollar will still crimp margins, however.

The labour market showed signs of strain, mostly in manufacturing, from the second half of 2008 until the spring of this year, but has turned the corner since then. Employment was essentially flat from January to September. Since October 2008, a net 1,700 jobs (0.8%) were lost, which is considerably better than the same figure for Canada (2.1%) or the decline expected on the output side of the economy. Meanwhile, the resale housing market is doing well, with average prices up 17% YTD as of September. Home-related retail sales have benefited. Total retail sales were also modestly higher YTD as of August, the only province to eke out a gain. Residential investments in new dwellings and renovations combined for a 25% Y/Y increase in the first half. We expect this pace to ease and some setbacks along the way are to be expected between now and the end of 2011, but the sector should continue to punch above its weight on a trend basis. Homebuilding has been quite steady over the last six months after retreating markedly early this year, and the current pace seems sustainable.

While the province will continue to be exposed to the volatility of commodity prices and the Canadian dollar, the domestic side of the economy has helped cushion the recession. During the recovery phase in 2010-11, the external sector should improve, lending a hand to domestic sources of growth such as housing and consumer spending. We expect the province to outperform in 2010 with real GDP growth slated at 3.1% before easing to a sub-national yet respectable 2.0% pace in 2011.



**REAL GROSS DOMESTIC PRODUCT (GDP)**

Annual average per cent change

	82/91	2007	2008	2009E	2010F	2011F
CANADA	-2.5	2.7	0.5	-2.3	2.5	3.1
N. & L.	0.7	9.1	-0.1	-2.9	3.1	2.0
P.E.I.	0.3	2.4	0.9	-1.0	1.7	2.3
N.S.	1.4	1.7	2.0	-2.2	1.8	2.7
N.B.	0.9	1.7	0.0	-2.4	2.2	2.6
Québec	-3.2	2.6	1.0	-1.7	2.2	2.8
Ontario	-3.3	2.3	-0.4	-3.3	2.7	3.4
Manitoba	-3.0	3.3	2.4	-0.5	2.1	3.0
Sask.	-0.4	2.5	4.4	-1.1	2.3	3.1
Alberta	-1.3	3.1	-0.2	-2.3	1.9	3.6
B.C.	-3.0	3.0	-0.3	-2.4	2.5	3.2

F: Forecast by TD Economics as at Oct. 2009

Source: Statistics Canada / Haver Analytics

NOMINAL GROSS DOMESTIC PRODUCT (GDP)

Annual average per cent change

	82/91	2007	2008	2009E	2010F	2011F
CANADA	3.1	5.9	4.4	-4.5	3.3	4.8
N. & L.	6.4	13.6	6.6	-5.4	4.3	3.8
P.E.I.	6.0	5.3	3.7	-2.0	2.5	3.5
N.S.	9.6	4.0	3.6	-3.0	2.4	4.0
N.B.	6.3	4.3	1.3	-2.7	2.6	4.2
Québec	3.5	5.4	1.6	-1.4	3.0	4.6
Ontario	3.0	4.5	0.5	-2.8	3.6	5.0
Manitoba	1.2	8.1	4.8	-1.5	3.1	4.4
Sask.	1.2	11.0	24.6	-7.0	3.5	4.8
Alberta	2.9	8.1	12.6	-11.0	3.4	5.5
B.C.	1.7	5.4	3.5	-4.5	3.7	5.2

F: Forecast by TD Economics as at Oct. 2009

Source: Statistics Canada / Haver Analytics

EMPLOYMENT

Annual average per cent change

	82/91	2007	2008	2009E	2010F	2011F
CANADA	-2.4	2.3	1.5	-1.7	0.6	2.3
N. & L.	-1.9	0.7	1.4	-3.3	0.7	1.8
P.E.I.	-2.0	1.2	1.2	-2.8	0.5	2.1
N.S.	-1.7	1.3	1.2	0.0	0.0	1.9
N.B.	-2.6	2.1	0.9	-0.2	0.5	2.0
Québec	-3.6	2.3	0.8	-1.0	0.5	2.1
Ontario	-2.8	1.5	1.4	-2.4	0.8	2.5
Manitoba	-1.6	1.6	1.7	0.0	0.3	2.5
Sask.	-0.2	2.1	2.2	1.8	0.0	2.8
Alberta	-0.5	4.7	2.7	-1.0	0.4	2.4
B.C.	-1.9	3.2	2.1	-2.5	1.0	1.9

F: Forecast by TD Economics as at Oct. 2009

Source: Statistics Canada / Haver Analytics

UNEMPLOYMENT RATE

Annual average, per cent

	82/91	2007	2008	2009E	2010F	2011F
CANADA	10.7	6.0	6.1	8.4	9.1	8.1
N. & L.	17.1	13.6	13.3	15.7	16.2	15.1
P.E.I.	14.6	10.3	10.7	13.0	13.4	12.1
N.S.	12.5	8.1	7.7	9.3	9.9	8.6
N.B.	13.4	7.6	8.6	9.3	9.5	8.3
Québec	13.1	7.2	7.3	8.7	9.1	8.0
Ontario	9.7	6.4	6.5	9.2	9.8	8.6
Manitoba	8.6	4.4	4.1	5.3	6.6	5.2
Sask.	6.8	4.2	4.1	5.2	6.9	5.7
Alberta	8.0	3.5	3.6	6.8	7.9	6.6
B.C.	11.1	4.2	4.6	7.5	8.2	7.8

F: Forecast by TD Economics as at Oct. 2009

Source: Statistics Canada / Haver Analytics

CONSUMER PRICE INDEX (CPI)

Annual average per cent change

	92-08	2007	2008	2009E	2010F	2011F
CANADA	1.9	2.1	2.4	0.2	1.1	1.7
N. & L.	1.8	1.4	2.9	0.2	0.9	1.0
P.E.I.	2.0	1.8	3.4	-0.5	1.1	1.3
N.S.	2.0	1.9	3.0	-0.5	1.2	1.0
N.B.	1.8	1.9	1.7	-0.1	0.6	1.0
Québec	1.7	1.6	2.1	0.4	0.5	1.2
Ontario	1.9	1.8	2.3	0.3	1.9	2.4
Manitoba	2.1	2.1	2.2	0.7	0.8	0.9
Sask.	2.2	2.9	3.2	1.3	0.7	1.3
Alberta	2.5	4.9	3.2	-0.2	0.9	1.5
B.C.	1.8	1.7	2.1	0.1	1.5	2.4

F: Forecast by TD Economics as at Oct. 2009.

Source: Statistics Canada / Haver Analytics

RETAIL TRADE

Annual average per cent change

	2007	2008	2009E	2010F	2011F
CANADA	5.8	3.4	-3.8	4.0	4.5
N. & L.	9.0	7.6	0.7	2.8	4.0
P.E.I.	7.7	5.6	-1.8	3.0	4.4
N.S.	4.2	4.2	-1.6	3.5	3.9
N.B.	5.7	5.9	-1.5	3.7	4.2
Quebec	4.6	5.1	-2.0	3.4	4.1
Ontario	3.9	3.5	-2.9	4.1	4.6
Manitoba	8.8	7.2	-1.5	4.0	4.6
Sask.	13.0	10.6	-2.2	4.5	5.0
Alberta	9.3	-0.1	-8.5	4.1	5.2
B.C.	6.7	0.3	-6.8	5.5	4.5

F: Forecast by TD Economics as at Oct. 2009

Source: Statistics Canada / Haver Analytics

HOUSING STARTS					
Thousands of units					
	2007	2008	2009E	2010F	2011F
CANADA	227.9	211.4	141.7	150.3	165.0
N. & L.	2.6	3.2	2.8	3.0	2.5
P.E.I.	0.7	0.7	0.6	0.7	0.6
N.S.	4.8	4.3	3.3	3.3	3.5
N.B.	4.1	4.2	3.5	3.5	2.8
Québec	48.7	47.9	43.0	40.0	36.0
Ontario	68.0	75.6	48.5	52.1	68.0
Manitoba	5.8	5.6	4.2	4.3	4.9
Sask.	5.9	6.8	3.7	4.2	3.8
Alberta	48.1	29.0	16.5	19.2	20.5
B.C.	39.3	34.3	15.4	20.0	22.5

F: Forecast by TD Economics as at Oct. 2009
Source: Canada Mortgage and Housing Corporation

HOUSING STARTS					
Per cent change					
	2007	2008	2009E	2010F	2011F
CANADA	-0.5	-7.2	-33.0	6.1	9.8
N. & L.	12.7	25.2	-12.5	6.0	-16.7
P.E.I.	-8.5	-3.5	-7.5	1.6	-10.8
N.S.	-7.8	-11.4	-22.1	0.0	5.3
N.B.	1.0	2.5	-15.1	-1.3	-21.4
Québec	1.4	-1.5	-10.3	-7.0	-10.0
Ontario	-8.6	11.2	-35.8	7.3	30.5
Manitoba	14.8	-3.8	-24.3	2.4	14.0
Sask.	58.9	14.5	-45.5	13.5	-9.5
Alberta	-2.1	-39.7	-43.0	16.4	6.8
B.C.	7.4	-12.8	-55.0	29.9	12.5

F: Forecast by TD Economics as at Oct. 2009
Source: Canada Mortgage and Housing Corporation

EXISTING HOME SALES					
Thousands of units					
	2007	2008	2009E	2010F	2011F
CANADA	523.9	434.5	445.0	455.0	415.0
N. & L.	4.5	4.7	4.3	4.1	3.8
P.E.I.	1.8	1.4	1.4	1.3	1.2
N.S.	11.9	10.9	9.6	10.0	9.4
N.B.	8.2	7.6	7.0	7.2	6.7
Québec	83.5	79.4	78.5	81.0	75.0
Ontario	213.4	181.0	185.5	187.5	175.5
Manitoba	13.9	13.5	13.0	13.2	12.0
Sask.	12.1	10.2	11.0	11.4	10.0
Alberta	71.4	56.4	55.5	58.0	51.0
B.C.	102.8	68.9	78.8	81.0	70.0

F: Forecast by TD Economics as at Oct. 2009
Source: Canadian Real Estate Association

EXISTING HOME SALES					
Per cent change					
	2007	2008	2009E	2010F	2011F
CANADA	7.8	-17.1	2.4	2.2	-8.8
N. & L.	26.4	5.0	-9.5	-3.5	-7.3
P.E.I.	18.6	-20.1	-4.5	-7.4	-4.0
N.S.	10.8	-8.3	-11.7	4.2	-6.0
N.B.	14.5	-7.4	-7.3	2.1	-6.3
Québec	12.3	-4.9	-1.1	3.2	-7.4
Ontario	9.5	-15.2	2.5	1.1	-6.4
Manitoba	7.0	-2.9	-3.9	1.5	-9.1
Sask.	31.9	-15.4	7.8	3.2	-11.9
Alberta	-3.9	-21.0	-1.6	4.5	-12.1
B.C.	6.3	-33.0	14.3	2.9	-13.6

F: Forecast by TD Economics as at Oct. 2009
Source: Canadian Real Estate Association

AVERAGE EXISTING HOME PRICE					
Thousand \$					
	2007	2008	2009E	2010F	2011F
CANADA	305.8	303.6	315.0	330.0	336.1
N. & L.	149.3	178.5	204.5	213.2	220.2
P.E.I.	133.5	139.9	148.0	152.6	160.7
N.S.	181.0	189.9	194.9	201.3	208.4
N.B.	136.6	145.8	154.4	160.4	165.6
Québec	202.9	210.8	220.9	230.5	242.3
Ontario	299.5	302.4	315.1	332.8	345.3
Manitoba	169.2	190.3	202.1	215.3	224.4
Sask.	174.4	224.6	230.0	240.4	248.0
Alberta	356.2	352.9	340.5	350.5	355.2
B.C.	439.1	454.6	461.4	478.2	475.1

F: Forecast by TD Economics as at Oct. 2009
Source: Canadian Real Estate Association

AVERAGE EXISTING HOME PRICE					
Per cent change					
	2007	2008	2009E	2010F	2011F
CANADA	10.8	-0.7	3.8	4.8	1.9
N. & L.	7.0	19.6	14.6	4.2	3.3
P.E.I.	6.4	4.9	5.8	3.1	5.3
N.S.	7.3	4.9	2.7	3.2	3.5
N.B.	7.7	6.7	6.0	3.8	3.2
Québec	6.6	3.9	4.8	4.3	5.1
Ontario	7.6	0.9	4.2	5.6	3.7
Manitoba	12.6	12.5	6.2	6.5	4.2
Sask.	32.0	28.8	2.4	4.5	3.1
Alberta	24.8	-0.9	-3.5	2.9	1.3
B.C.	12.3	3.5	1.5	3.6	-0.6

F: Forecast by TD Economics as at Oct. 2009
Source: Canadian Real Estate Association

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